# FINANCIAL TIMES

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World Business Newspaper THURSDAY JANUARY 11 1996

## Syria committed to reaching peace deal with Israel

Syria said yesterday that it was ready for "continuous negotiations" with Israel, signalling a stronger commitment to achieving peace with its neighbour. The announcement came as US secretary of state Warren Christopher started a shuttle mission between Jerusalem and Damascus. Meanwhile King Hussein (above, left) was warmly greeted by Israeli prime minister Shimon Peres when the Jordanian ruler arrived for his first public visit to Tel Aviv – a visit that suggests the type of relations Israel would like to see with Damascus. Page 10

**Robert Greenhill**, legendary Wall Street dealmaker, is quitting as chief of stockbroker Smith Barney only two and a half years into a seven-year contract. Page 11

**Yeltsin signs new spy law:** Russian president Boris Yeltsin appointed a new foreign intelligence chief and signed a law on how the country's spies should work. Col-Gen Vyacheslav Trubnikov is to replace new foreign minister Yevgeny Primakov as head of Russia's Foreign Intelligence Service. Page 2

**Dun & Bradstreet,** US financial information and market research group, is to split itself into three quoted companies. The demerger unpicks D&B's two biggest acquisitions of the past 12 years: market research company A C Nielsen, and IMS International, which supplies market research to the drug industry. Page 11 ; Lex, Page 10

**Socialist set to be finance chief:** Wataru Kubo, secretary general of Japan's Social Democratic party, is set to become the country's next finance minister after Ryutaro Hashimoto, due to be chosen as premier, failed to persuade colleagues from his Liberal Democratic party to take the job. Page 4

**EU to tax barley exports:** The European Union is imposing an export tax on barley because of concerns about the amount of the grain being sent from Europe onto the world market. The move followed an EU wheat import tax imposed six weeks ago. Page 10; Commodities, Page 17

**Kingfisher shares fall:** UK high street stores group Kingfisher is taking a 20 per cent stake in family-owned French furniture and electrical goods retailer BUT. Fears the price might be too high drove Kingfisher shares down 16p to 544p in London. Page 15

**Gold price rallies:** The price of gold topped $400 an ounce on the London bullion market for the first time since August 1993. It has risen by almost $15 an ounce since the start of 1996, driven by speculative buying. Page 17

**Mack Trucks,** US heavy vehicle maker owned by Renault of France, is negotiating to build assembly plants in Mexico and Brazil as a cushion against the volatile domestic truck market. Page 11

**Bayer to appeal:** German chemicals and drugs group Bayer is appealing against a Ecu3m ($3.9m) fine imposed for a breach of EU restrictive practices law. The case involved Bayer's refusal to supply a heart drug to French and Spanish wholesalers who wanted to re-export it to the UK. Page 2

**Irish cabinet split:** Irish social welfare minister Prionsias de Rossa attacked proposals by his employment ministry counterpart to cut unemployment benefit for school leavers. Page 2

**Dissident denounced:** Mohammed al Massari, the Saudi dissident facing deportation from Britain, was denounced by Sir Nicholas Bonsor, foreign affairs minister, as a fundamentalist who had abused British hospitality to undermine a friendly government. Page 6

**Millionaire balloonist safe:** US soyabean millionaire Steve Fossett abandoned his attempt to make the first round the world balloon flight and touched down safely in New Brunswick, Canada.

**Slower delivery:** Cashpoint machines in Finland, speeded up to cut queues, are to be slowed down again. In some instances the dispensers reclaimed customers' cash before they could grab it.

**STOCK MARKET INDICES**

| | | |
|---|---|---|
| New York lunchtime | | |
| Dow Jones Ind Av | 5,066.90 | (-63.23) |
| NASDAQ Composite | 992.67 | (-8.14) |
| Europe and Far East | | |
| CAC40 | 1,910.11 | (-8.18) |
| DAX | 2,338.19 | (-11.47) |
| FT-SE 100 | 3,671.5 | (-28.8) |
| Nikkei | 20,812.32 | (-39.76) |

**US LUNCHTIME RATES**

| | |
|---|---|
| Federal Funds | 5 7/16% |
| 3-mth Treas Bills. Yld | 5.18% |
| Long Bond | 109 9/32 |
| Yield | 6.146% |

**OTHER RATES**

| | | |
|---|---|---|
| UK: 3-mo Interbank | 6½% | (6 13/32%) |
| UK: 10 yr Gilt | 106 3/32 | (107 1/32) |
| France: 10 yr OAT | 108.4 | (108.23) |
| Germany: 10 yr Bund | 103.96 | (103.86) |
| Japan: 10 yr JGB | 111.358 | (111.13) |

**NORTH SEA OIL (Argus)**

| | | |
|---|---|---|
| Brent 15-day (Feb) | $18.40 | (18.78) |

**GOLD**

| | | |
|---|---|---|
| New York Comex | | |
| (Feb) | $400.2 | (396.9) |
| London: | | |
| close | $399.4 | (394.3) |

**DOLLAR**

| | | |
|---|---|---|
| New York lunchtime | | |
| £ | 1.5485 | |
| DM | 1.4363 | |
| FFr | 4.92 | |
| SFr | 1.1605 | |
| Y | 105.025 | |
| London: | | |
| £ | 1.549 | (1.5455) |
| DM | 1.4362 | (1.4432) |
| FFr | 4.93 | (4.9453) |
| SFr | 1.162 | (1.1674) |
| Y | 104.94 | (105.2) |

**STERLING**

| | | |
|---|---|---|
| DM | 2.2221 | (2.2304) |
| Tokyo close: | Y 104.4 | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Austria | Sch37 | Greece | Dr400 | Malta | Lm0.85 | Qatar | QR13.00 |
| Bahrain | Din1.250 | Hong Kong | HK$20 | Morocco | MDh16 | S.Arabia | SR12 |
| Belgium | BFr75 | Hungary | Ft230 | Neth | Fl 4.75 | Singapore | S$4.30 |
| Bulgaria | Lw120.00 | Iceland | IKr230 | Nigeria | Naira90 | Slovak Rp | Sk65 |
| Cyprus | C£1.20 | India | Rs75 | Norway | NKr20.00 | S. Africa | R12.00 |
| Czech Rp | Kc100 | Israel | Shk7.90 | Oman | OR1.50 | Spain | Pta250 |
| Denmark | DKr18 | Italy | L3200 | Pakistan | Rs40 | Sweden | SKr20 |
| Egypt | E£5.00 | Japan | Y500 | Philippines | Peso50 | Switz | SFr3.70 |
| Estonia | EKr 22 | Jordan | JD1.50 | Poland | Zl 6.50 | Syria | S£85.00 |
| Finland | FM15.50 | Kuwait | Fils650 | Portugal (m'land) | Es240 | Tunisia | Din1.750 |
| France | FFr11.50 | Lebanon | US$1.50 | | | Turkey | L70,000 |
| Germany | DM4.00 | Lux | LFr75 | | | UAE | Dh12.00 |

# Eurotunnel in £8bn debt move

## UK and France asked to co-operate over bond issue

By Geoff Dyer in Calais and William Lewis in London

Eurotunnel, the crisis-ridden operator of the Channel tunnel, has asked the French and UK governments to guarantee a substantial bond issue to help refinance its £8bn debt.

If successful, the bond issue would enable the Anglo-French company to break free from its long-running financial difficulties. However, analysts believed it highly unlikely that the two governments would approve the plan.

Mr Patrick Ponsolle, the company's co-chairman, said yesterday that both governments had so far refused to co-operate, but Eurotunnel was hoping the French government would support the scheme.

Mr Ponsolle said he believes it is more sympathetic than the UK government because if Eurotunnel failed to resolve its debt problems "there would be a financial crisis in France".

Mr Ponsolle admitted the UK government would be less likely to help, but said a future Labour government might be more favourable. He refused to give details of the size of the bond issue, but analysts speculated that it could be used to "take out all of the banks' existing debt".

UK government officials stressed last night that it was "99 per cent certain" that it would reject Eurotunnel's plan.

Eurotunnel, which was plagued with construction delays and costs well above forecasts, argued that its financial crisis has been in part caused by "breaches of undertaking" by the two governments.

In September, Eurotunnel announced that it had suspended interest payments on its £8bn of debt and was negotiating with its banks to rearrange finances.

Eurotunnel had hoped to give shareholders full details of refinancing plans at the end of this month, but this seems unlikely. Eurotunnel's four agent banks have to report to the rest of the 225 strong banking syndicate by March 17.

Mr Ponsolle said that swapping the company's rolled up interest payments, which are accumulating at £60m a month, into equity was being seriously discussed.

According to Mr Ponsolle the company would have sufficient revenues in between six to 10 years to pay its interest bill. The planned bond issue would involve a "zero coupon" structure, in which there would be low or no interest payments for about 10 years. After that much larger interest payments would begin.

Mr Ponsolle said the company had requested guarantees because, "in the present circumstances it would be obviously be impossible for us to issue bonds".

Mr Richard Hannah, analyst at UBS, said the bond issue plan was "as close to a government subsidy as you can get".

Under the Channel Tunnel Acts in both countries, government financial support is prohibited. But Mr Hannah said that the French government had been "more liberal in its interpretation of it".

Mr Ponsolle said the two governments could ease some of the pressure by extending the 57-year concession to operate the tunnel.

P&O and Stena, the two main ferry companies, refused to comment on Eurotunnel's bond issue plans, but one executive said that "we would waste no time complaining to both governments and the EU".

Eurostar, Page 6
Lex, Page 10

# UK urges Nigeria to free FT journalist

By Quentin Peel, Foreign Editor

The British government called yesterday for the prompt release of Mr Paul Adams, the Financial Times correspondent in Nigeria, who has been detained by the country's state security service since last Thursday.

The Nigerian acting high commissioner in London was summoned to the Foreign Office to be told of the government's concern.

Mr Jeremy Hanley, minister of state at the Foreign Office, told the British parliament that the government was "pushing for an early release" for Mr Adams, 38, who is being held in Port Harcourt, in eastern Nigeria.

Mr Hanley, who was responding to a question by Mr Tom King, the former Conservative defence secretary, said that Mr Adams was "apparently being well looked after but, of course, he should be released".

For the third successive day, senior Nigerian security officials in Lagos and Port Harcourt repeated assurances that Mr Adams' release was imminent.

Hopes for his freedom rose after news that he had been transferred from the custody of the state security service to the state intelligence and investigation bureau of the Nigerian police. He was also yesterday for the first time allowed unrestricted consular access as well as fresh clothing.

Senior Nigerian businessmen and officials in Lagos, who have been making representations to the authorities on his behalf, expressed cautious optimism.

Mr Richard Lambert, editor of the Financial Times, welcomed the news, but said Mr Adams' detention remained a matter of "considerable concern".

He added: "Paul was on an assignment for the newspaper, reporting from the region on a story of international concern. There has been no suggestion he was operating in anything but the pursuit of his journalism.

"We very much hope that the Nigerian authorities act without any further delay to release him, and allow him to carry on with his normal duties." Mr Adams was arrested by the state security service in Bori, the main

Continued on Page 10

## Helicopter gunships halt Chechen convoy ■ Separatists holding 160 people

Russian soldiers sit on top of an armoured personnel carrier as it leaves the town of Kizlyar, which was raided for hostages by Chechen rebels on Tuesday Picture: Reuter

# Russian forces in stand-off with hostage rebels

By John Thornhill in Moscow

Chechen separatists were in a stand-off last night with Russian security forces after having released most of the 2,000 hostages seized in the southern Russian town of Kizlyar.

A convoy of buses carrying the 200 rebels and about 160 hostages was halted by Russian helicopter gunships as it neared the border of neighbouring Chechnya.

The gunmen threatened to start killing the remaining hostages unless they were allowed to move freely.

Wearing green headbands and singing patriotic songs, the heavily armed rebels had left Kizlyar yesterday morning.

The bizarre spectacle, shown in detail on Russian television, came as a further humiliation to the Russian security forces, already berated by President Boris Yeltsin for their incompetence.

But the episode, in which Russian officials say 20 people have been killed, has also reflected badly on the 64-year-old president, who is considering whether to run again in an election scheduled for June.

Some Russian newspapers yesterday attacked Mr Yeltsin personally over his handling of the Chechen conflict.

His decision to use force to crush Chechnya's independence bid has resulted in the deaths of more than 30,000 people and created 415,000 refugees.

Mr Yeltsin has been criticised by liberal political opponents for starting the war in the first place, but he is also coming under fire from hardliners for failing to see the conflict through to its conclusion.

Mr Vladimir Zhirinovsky, leader of the ultra-nationalist Liberal Democratic party of Russia and declared presidential candidate, yesterday called for Mr Yeltsin to crush the Chechens.

"If you do not destroy the fighters within a month, if you do not burn their bases, wherever they are, burn them with napalm . . . you, Boris Nikolayevich, will lose the election on June 16 and I will do it on July

Continued on Page 10

# UK footballers to challenge operation of transfer market

By Robert Rice and Simon Kuper in London

Plans which could revolutionise English football and destroy the lucrative multi-million pound transfer market will be unveiled at a meeting of players and club managers today.

The move comes in response to the negative reaction of the English football authorities to last month's European Court of Justice judgment in the Jean-Marc Bosman case.

The players are planning a legal challenge to a transfer system they claim prevents them from negotiating their own deals when their contracts expire.

They are also proposing to set up a commercial organisation to represent their interests in place of their union.

The Luxembourg Court ruled that the European transfer system was unlawful. But the judges made it clear their ruling only applied to cross-border transfer of players in the European Union.

Most of the EU's football associations took that to mean their domestic transfer systems were unaffected by the judgment.

But players want to be free to negotiate their own futures once their contracts expire.

The meeting is the brainchild of Mr Jonathan Ebsworth, a partner of London solicitors Reid Minty and Mr Steve Davies, the media manager of Vinny Jones, the Wimbledon midfield player.

Having learnt from Mr Jones that players were angry that their union, the Professional Footballers' Association, was not supporting their position, they wrote to the players and managers of all clubs south of Nottingham asking them to attend the meeting.

"We will be putting forward commercial proposals which could put an extra £100,000 a year in the pockets of every Premier League player," Mr Ebsworth said yesterday.

He wants to establish a system similar to that which operates in the NBA basketball league in the US where players are free agents once their contracts expire.

At present English football clubs can demand a transfer fee even where a player is out of contract. Most clubs carry players as assets on their balance sheets and they are deemed to have residual value even when their contracts expire.

A system under which players are free agents would destroy a transfer market which has doubled to £100m ($154m) in the UK in the past two years, and wipe millions off club balance sheets.

Mr Ebsworth said a new commercial body with players as shareholders and on the board was needed to represent their interests.

The meeting will be told that had the court gone on to consider whether the transfer system was contrary to European competition rules it would almost certainly have struck down all domestic transfer systems as anti-competitive.

Mr Ebsworth confirmed that one purpose of today's meeting was to discover whether any player or club would be prepared to bring a test case. Also today, a Premier League delegation will be in Brussels asking the European Commission to clarify the Bosman ruling.

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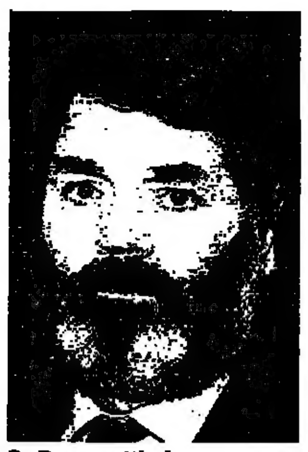
## NEWS: EUROPE



De Rossa: critical

# Cabinet split over Irish plan to cut benefit

By John Murray Brown in Dublin

Ireland's social welfare minister, Mr Prionsias de Rossa, yesterday attacked as "soundbite economics" the proposals of Mr Richard Bruton, his counterpart at the enterprise and employment ministry, to cut unemployment benefit to school-leavers.

The dispute, which has pitted business interests against labour, is the first sign of differences since Mr John Bruton, the Fine Gael leader and brother of Richard, formed his three-party coalition at the end of 1994.

The proposals underscore the policy tensions between Fine Gael, with its small business and rural middle class supporters tending to be pro-market, and the more urbanised left-of-centre parties – Mr Dick Spring's Labour and the Mr de Rossa's Democratic Left – which have adopted a more interventionist approach.

The set-to comes as Mr Ruairi Quinn, finance minister and a Labour party member, puts the finishing touches to his budget, which he is due to present to the Dail (parliament) on January 23.

Ireland is currently the European Union's best performing economy: gross national product is estimated to have grown by 6 per cent, according to the central bank's latest quarterly bulletin. Public finances, too, are in robust shape, with debt service costs in 1994 lower than expected and tax receipts higher than forecast. As a result Mr Quinn has an estimated I£200m ($320m) to offer by way of tax cuts, or additional public spending.

The budget has exposed coalition disagreements. Mr Pat Rabbitte, a Democratic Left junior minister, said budget giveaways should not be targeted at "the rich, high earners and the selfish in our society".

"The better the news on the economy, the louder the consensus for cuts in public expenditure at the expense of the poor, the unemployed and the marginalised," he said.

Ireland has the EU's worst long-term unemployment, and Mr Bruton's plan envisages new subsidies for employers to take on those who have been out of work for a long time, a cut in employers' insurance contributions aimed at reducing business costs, and reductions in benefit for new entrants to the job market to encourage them to take work.

## Turkish killings

Istanbul police yesterday identified three members of a far-left urban guerrilla group as the killers of Mr Ozdemir Sabanci, member of one of Turkey's most powerful business families. John Barham reports from Ankara. Earlier, businessmen believed the killings were a gangland assassination.

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# Solana seeks to win over Russia

By Bruce Clark in Brussels

Nato's new secretary general, Mr Javier Solana, pledged himself yesterday to launch a "charm offensive" aimed at winning the confidence of Russia and overcoming its intense suspicion of the alliance.

Mr Solana, until recently Spain's foreign minister, said that he wanted to draw Russia into much deeper co-operation with Nato and convince its leadership that the 16-member western defence club had no hostile intentions towards Moscow.

He was speaking on the eve of his first visit to former Yugoslavia, where 1,500 Russian troops are about to join the 60,000-strong peace implementation force (Ifor) which Nato has organised.

Mr Solana will be visiting Zagreb, Sarajevo and Belgrade, and trying to use his influence to avert a mass exodus of Serbs from suburbs of the Sarajevo due to be transferred to Bosnian government authority.

Asked if the transfer of control over the suburbs could be delayed, as local Serbs were demanding, Mr Solana said the peace agreement explicitly ruled out any change of timetable on political grounds. Nato's commanders did have the power to adjust it on technical or practical grounds.

The Nato chief said he hoped for a meeting soon with Mr Yevgeny Primakov, the hawkish Russian official who took charge of the foreign ministry this week after four years as head of the external intelligence service.

"He is an intelligent person, with a solid background, who worked closely with [ex-President] Mikhail Gorbachev," Mr Solana said of Mr Primakov, playing down the Russian official's recent role as a tough critic of Nato's plans to expand eastwards.

Mr Solana said that Russian criticism of Nato reflected electoral pressures in Moscow and certain "misperceptions which we have to clarify" by setting out Nato's intentions more clearly. "We will continue to explain that Nato is not enlarging against anybody," he added.

He said he had received encouraging signals from Russia yesterday over its contribution to the alliance's peace mission in Bosnia.

Mr Vitaly Churkin, Moscow's ambassador to Nato, indicated that Russia was ready in the coming days to sign a set of accords that would formally authorise the despatch of its troops to serve alongside the US contingent in Bosnia. This would include an agreement on political consultations over Bosnia which Russia insisted on negotiating last November, only to lose interest in the accord over the subsequent weeks.

The recent signals from Mr Primakov would suggest that he is likely to give a sceptical hearing to Nato's blandishments.

He is assumed to be one of the instigators of a new Russian argument, heard with increasing frequency since last autumn, that Nato expansion would leave Moscow with no choice but to upgrade the role of short-range nuclear weapons in its defences.

In 1993, Mr Primakov took the unusual step of declassifying a study by his intelligence service on the issues surrounding Nato enlargement. It predicted that many west European countries would resist US pressure for early enlargement because their own interests could be damaged.

However, if Mr Solana succeeds in arranging a trip to Moscow and receives a polite hearing, it will be a considerable diplomatic coup. He would be the first Nato secretary general to visit Russia since 1992 – a time when Russian sentiment was far more pro-western than now.

Nato chief Solana is promising a "charm offensive"

## SPY CHIEF NAMED AS ESPIONAGE LAWS CHANGE

Russian President Boris Yeltsin appointed a new foreign intelligence chief yesterday and signed a new law on how the country's spies should work, Reuter reports from Moscow.

Itar-Tass news agency said Colonel-General Vyacheslav Trubnikov would replace new foreign minister Yevgeny Primakov as head of Russia's Foreign Intelligence Service, one of the organisations which succeeded the KGB security police. Mr Trubnikov, 51, is an Asian affairs specialist and was a career intelligence officer with the KGB. He was previously first deputy director of the service.

"I looked at him and I understood that he is a highly qualified professional with great authority among his colleagues," Interfax news agency quoted Mr Yeltsin as telling Russian reporters.

Mr Trubnikov will be the first Russian spymaster to work under new legislation approved by the State Duma lower house of parliament last month and signed by Mr Yeltsin yesterday.

The law, an attempt to bring order into the unruly spying world, says the intelligence services must report to the president and parliament and use "a combination of open and secret methods and tactics".

It says intelligence activities must be carried out "in accordance with the principle of legality and respect for human rights and freedoms".

Separately, Mr Yeltsin signed a decree limiting phone taps and the unauthorised collection of information on firms and individuals. But Tass, which reported the decree, gave no details of how it would work.

Phone taps and surveillance were common in Soviet days and the secret police was an instrument in guaranteeing control over all walks of life. But the security services have kept a lower profile since the superpower fell apart. But Mr Trubnikov said last year that the West and the NATO alliance could still be considered Russia's enemy.

# Nato seeks Serb aid to halt violence

By Laura Silber in Belgrade

Admiral Leighton Smith, commander of the Nato-led Implementation Force (Ifor) in Bosnia, yesterday said President Slobodan Milosevic of Serbia had promised to use his influence to stop violence which could undermine the ambitious peace agreement.

Discussing Tuesday's grenade attack in Sarajevo which killed one person and wounded six others, Admiral Smith said: "The president agrees with me 100 per cent that this was a heinous act, an act of a terrorist, an act of an individual who himself or herself was trying to do damage to the peace agreement."

Admiral Smith also tried to allay Serb fears about retaliation for the war by their former Moslem neighbours. Serbs in Bosnia have threatened to stage a mass exodus unless they are given autonomy.

"I told the president that Sarajevo is one of my biggest concerns right now. I hope that the citizens in Sarajevo, particularly the Serb citizens, will not flee the city in large numbers, that they will elect to stay," he said. But local reports yesterday said Serbs were exhuming their dead relatives and had already begun to set fire to their houses before leaving the region.

Mate Granic, Croatian foreign minister, arriving at the foreign ministry in Belgrade yesterday AP

Mr Mate Granic, the Croatian foreign minister, also visited Belgrade yesterday, meeting Serbian leaders in a move towards full normalisation of relations between Croatia and Serbia. It was the most senior visit by a Croatian official since war erupted in 1991.

Overnight on Tuesday, Croats and Moslem exchanged fire in Mostar, the divided southwestern city. Two rocket-propelled grenades were fired from the Croat-held part into a Moslem military camp.

Mr Hans Koschnick, the EU administrator of Mostar, questioned whether Zagreb was serious about maintaining the Moslem-Croat federation, which ended a year of fighting in February 1994. "If I get the impression that the Croatian side does not want a federation and a united Mostar, then we have nothing to do here," he said, calling on the presidents of Bosnia and Croatia to rein in both sides.

# Partisan divide in race for non-partisan post

By Peter Wise in Lisbon

"Bandido! Bandido! You'll get no votes here!" Unemployed workers were advancing menacingly towards Mr Anibal Cavaco Silva, the conservative candidate in Portugal's presidential election, as his campaign caravan pulled into Barreiro, a depressed industrial town south of Lisbon.

Mr Cavaco Silva, whose 10 years as prime minister ended sourly with his centre-right Social Democrats (PSD) being defeated by the Socialists in a general election in October, clambered on to the roof of his car to calm the crowd as security men scuffled with the demonstrators. "Some of you may not have agreed with everything I did in government," he shouted. "But now it's a case of choosing the best man to steer us into an uncertain future."

Knowing from the opinion polls that Mr Jorge Sampaio, the Socialist candidate, is the helmsman voters are expected to choose on Sunday, Mr Cavaco Silva is using such incidents to present the election as a crucial choice between political stability or a dangerous concentration of power in the left.

Barreiro, a stronghold of the hard-line Communist party, suffers from all the social and economic problems that the left attributes to Mr Cavaco Silva's government.

The next day he was telling rallies: "The demonstration of intolerance in Barreiro is an indication of what could happen in Portugal without a voice of moderation in the presidency. Electing a Socialist would be like being in a rowing boat with only one oar – the country would go round in circles."

Mr Cavaco Silva is staging an aggressive final sprint that has brought him within reach of his rival, according to an extensive opinion poll that gives him 42.7 per cent of the vote compared with Mr Sampaio's 46.4 per cent. He is stepping up pressure on Mr Sampaio, a former Socialist party leader who stepped down as mayor of Lisbon to run.

His campaign machine, appealing to voters in the more conservative north, warns that Mr Sampaio could support a government coalition between the Socialists, who are four seats short of an overall majority in parliament, and the Communists. Mr Jerónimo de Sousa, the Communist candidate for president, withdrew on Monday and called on his supporters to vote for Mr Sampaio.

Mr Sampaio, presenting himself as a non-divisive candidate who would represent all parties, accuses his adversary of seeking "revenge" for the PSD's removal from government by becoming a president bent on obstructing Mr António Guterres, the new prime minister.

As tension rises, both sides claim the election of their opponent would be a threat to stability and undermine Portugal's efforts to meet the convergence targets for European economic and monetary union. The Socialists warn that Mr Cavaco Silva, if elected, would seize the first opportunity to call an election and bring the PSD back to power. The PSD say Mr Sampaio might immediately dissolve parliament in the hope that the Socialists would be returned with the majority it now lacks.

Portugal's president acts as an arbiter of political disputes with the power to dissolve parliament and call a general election. He also has a veto that can delay but not permanently block legislation.

In the style of constitutional monarchs who wear no political colours, the two candidates, who are both 56, present themselves as impartial representatives of all voters. Mr Cavaco Silva's biggest asset is the prestige and experience of 10 years as prime minister. A self-made man from a modest provincial background, he is respected as hardworking, honest and determined.

Against him weighs the legacy of a government beset by allegations of patronage, sleaze and inefficiency in its last years and what opponents portray as an arrogant, authoritarian manner.

Mr Sampaio identifies with the social concern and political tolerance that have made President Soares popular. A lawyer from a liberal Lisbon family, he was, unlike his adversary, an active opponent of the Salazar dictatorship as a student leader.

Opponents depict his radical sympathies in the aftermath of the 1974 revolution and leadership of a Socialist-Communist coalition in the Lisbon city council as his possibly fatal flaw.

# Mário Soares: a president for all Portuguese

Both the candidates to succeed Portugal's President Mário Soares in the election on Sunday have made emulating his defence of democracy, open-mindedness and underlying optimism part of their own programmes. Even Mr Anibal Cavaco Silva, a former opponent, is keen to lay claim to his political legacy, *writes Peter Wise*.

A founder of the Socialist party and three times prime minister, Mr Soares, 71, steps down in March secure in the knowledge that he could almost certainly have been re-elected with a landslide majority if the constitution did not bar him from a third consecutive term.

Breathing life into the text of a new constitution written after the overthrow of the Salazar regime in 1974, he established the president's role as a moderator of political conflicts, a safety valve through which to express discontent and an unfailing voice of encouragement.

Mr Soares and Mr Cavaco Silva, whose temperaments are as far apart as their political convictions, co-habitated uneasily during their decade together as president and prime minister.

The relationship came under increasing strain after 1994 when Mr Soares suggested too much power was concentrated in Mr Cavaco Silva's hands. The prime minister's supporters accused the president of trying to turn the country against the government.

Mr Soares set Portugal on course for membership of what is now the European Union. But his terms as prime minister, involving fractious coalitions and struggles to free the government of military tutelage, were more troubled and the stern measures he took to discipline the economy left him unpopular. Today, he readily acknowledges a distaste for figures.

After narrowly defeating a right-wing candidate in 1986, he went on to become an increasingly popular president. He was re-elected by an overwhelming majority in 1991. "He is a man at ease in any situation with a warmth and a spontaneity that have helped the Portuguese feel good about themselves," says a Lisbon banker.

In a famous campaign phrase, Mr Soares described himself as "socialist, republican and lay". The warm relations he has since established with other political parties, Portugal's royal family and the Catholic Church are a fulfilment of his pledge to be an impartial president of all the Portuguese.

He says he is retiring from politics to write his memoirs. However, he is an asset Portugal may find difficult to replace. According to a recent opinion poll, most Portuguese want him to remain politically active and almost half think he should seek a new role in the Socialist party.

## EUROPEAN NEWS DIGEST

# Bundesbank eases repo rate

The Bundesbank's closely watched securities repurchase (repo) rate came down another notch yesterday, while regional members of the German central bank's council held out the possibility of further cuts in the discount and lombard rates as the economy weakened. The repo rate eased from 3.75 per cent to 3.73 per cent.

The Bundesbank switched back to a variable rate tender with commercial banks after three weeks of fixed rate transactions. Economists expect the repo rate to decline further after last month's half percentage point cuts in the discount and lombard rates to 3 per cent and 5 per cent respectively.

Mr Hans-Jürgen Krupp, head of the regional central bank in Hamburg, yesterday said the Bundesbank still had scope to ease policy further in view of the modest rate of inflation. Mr Helmut Hesse, head of the central bank for Bremen, Lower Saxony and Saxony-Anhalt, said on Tuesday that the Bundesbank could cut interest rates further in 1996, since its money supply policy was now on an expansionary course.

■ Belgium's National Bank yesterday cut its central market rate to 3.70 per cent from 3.75 per cent. The rate on advances to institutions within credit ceilings was cut to 4.95 per cent from 5.0 per cent. *Andrew Fisher, Frankfurt*, AFX, *Brussels*

## Brussels clears Interkom venture

The European Commission said yesterday it had cleared the Interkom telecom services joint venture between British Telecom and Viag, the German energy–based conglomerate.

It also cleared a joint venture between Philips Media Services, Westdeutsche Landesbank's Thomas Cook Group and South Africa's Leisureplan; passed a joint venture between Ciba-Geigy and the Veba subsidiary, Roehm, which will merge the two group's activities in special dye stuffs and chemicals for leather and peltproduction and processing. Brussels also dropped its inquiry under EU merger rules into Channel Five Broadcasting, which holds the licence for the UK's fifth terrestrial TV channel.

The Commission said the Interkom venture, in which BT and Viag will each have a 50 per cent stake, would bring added competition to the German market, dominated by Deutsche Telekom, by opening it up to several competing alliances. BT has a small level of sales in Germany in its own right, while Viag is more active in electricity markets. While dropping its inquiry under EU merger rules into Channel Five, the Commission will spend two months scrutinising under broader EU competition regulations the joint ownership of the channel by MAI, Pearson Television, Compagnie Luxembourgeoise de Telediffusion, and Warburg Pincus Ventures. *Brussels, AFX*

## US role in Council of Europe

The Council of Europe's parliamentary assembly yesterday voted to give the US observer status in the 38-nation body. This reflects heightened American interest in the Strasbourg-based organisation, which is soon likely to take in Russia as a full member.

The parliamentary assembly, which has played a leading role in encouraging and supervising democratic procedures in eastern Europe, is due to debate Russian membership on January 25.

The assembly's political committee has already approved Russia's application, and Russia could join the Council of Europe by March provided the Duma, the Russian parliament where communists and nationalists made gains in last month's elections, does not object.

Mr Daniel Tarschys, a Russian-speaking Swede who is the Council of Europe's secretary general, said that it was important for the Council "to step up co-operation with the US, with a view to promoting stability in the new democracies of central and eastern Europe". *David Buchan, Paris*

## French politicians lose appeals

The Lyons appeal court yesterday showed little mercy in the city's political corruption case, increasing the sentences on the convicted former mayor of the city, Michel Noir, his son-in-law Pierre Botton and several other defendants.

The court ordered Botton to serve three-and-a-half years in jail, with another 18 months suspended, and upheld a FFr2m ($400,400) fine for his role in organising an illegal political funding scheme.

The two politicians in the case, Noir, who is still a National Assembly deputy for Lyons, and Michel Mouillot, the mayor of Cannes, were given 18 months suspended sentences and fined FFr200,000 each.

Like Botton, they said they would launch a further appeal, during which the court order barring them from political office for five years will not take effect.

The court had harsh words for Mouillot who argued that his re-election last June as mayor of Cannes morally exonerated him.

It said it was "for judges, not voters" to pronounce on the law. By contrast, the appeals court merely confirmed the 15-month suspended sentence and FFr200,000 fine on the best known defendant, Patrick Poive d'Arvor, who is the star news presenter at TFI, the country's most widely watched TV channel.

Poive d'Arvor, or PPDA as he is universely known, also said he would make a further appeal. *David Buchan*

## State may finance SNCF tracks

The French state might relieve its debt-ridden SNCF rail company of the cost of building new rail tracks, Mrs Anne-Marie Idrac, the junior French transport minister, said yesterday.

In an interview with Le Monde, Mrs Idrac said that with a 1995 operating deficit which last month's strike helped double to FFr17bn ($3.38bn), SNCF could not generate enough income to repay its FFr175bn debt, "in large part due to the investments it has had to undertake".

That was why the government had made debt reduction a key feature of the SNCF recovery plan which the strike forced it to withdraw.

The transport minister said it was therefore possible the state might step in directly to finance new rail lines, or let private investors help, as the European Commission has been pressing Paris to do.

Mrs Idrac said she found hard it to believe that private investors could be interested in funding lines for the high-speed TGV train with a high cost and slow rate of return, but that the government had an open mind on this.

A project that could interest private investors was the planned TGV extension to Italy, from Lyons to Turin, she suggested. *David Buchan*

## Toys R Us targeted by unions

Labour organisers from more than 20 countries launched a campaign yesterday to unionise thousands of workers at Toys R Us stores around the world.

A two-day union conference declared the goal of forcing the US-based retailer to sign collective union agreements with employees at hundreds of stores in some 60 countries. "Everywhere, the company is hostile to unions and usually refuses to even talk with union officials," a statement by the conference said.

The action is being organised by the Geneva-based International Federation of Commercial, Technical and Clerical Employees, known as FIET, claiming some 12m members in 70 countries. The campaign was launched in the wake of a three-month Swedish strike at Toys R Us last year over the company's refusal to sign a collective agreement with the Swedish sales clerks' union.

The dispute ended in August when the company finally signed. The FIET leader, Mr Jan Furstenborg, said the union would try to persuade the company to sign collective agreements, but had no immediate plans to organise strikes or boycotts. *AP, Stockholm*

Commission alleges violation of EU law on restrictive practices

# Bayer group to appeal against fine

By Lionel Barber in Brussels and Daniel Green in London

Bayer, the German chemicals and pharmaceuticals company, said yesterday it would appeal against a Ecu3m ($3.9m) fine imposed by the European Commission for a "serious" violation of European Union law on restrictive practices.

The case involved Bayer's refusal to supply Adalat, the heart drug, to French and Spanish wholesalers who wished to re-export it to the UK, where prices are higher than in the rest of Europe.

The Commission said the Bayer group had been concerned about "parallel exports" of Adalat since at least the end of the 1980s, and had subsequently set up an elaborate computerised system in Spain for tracking exporting wholesalers. Adalat is Bayer's second biggest selling drug, bringing in more than $1bn a year in worldwide annual sales.

Bayer is one of many companies that have been concerned at the rise of parallel imports, in which a drug made in northern Europe is bought at southern European prices and re-imported into northern Europe.

In Bayer's case, French wholesalers found that Bayer France was no longer willing to supply them with all the quantities of Adalat which they ordered as long ago as September 1991. The same experience occurred in Spain, dating back to early 1989, the Commission said.

Wholesalers in France and Spain tried to throw Bayer off the scent by spreading orders intended for export through their various agencies and other small wholesalers not subject to monitoring.

When one of the wholesalers was discovered to be exporting, Bayer France and Bayer Spain penalised him by imposing successive reduction in the volumes of Adalat supplied.

"All these practices engaged by Bayer France and Bayer Spain show that they subjected their wholesalers to a permanent threat of reduction in the quantities supplied, a threat which was repeatedly put into effect if the wholesalers did not compete with the export ban."

The wholesalers, both in France and Spain, had shown by their conduct that they accepted the export ban, the Commission said. The agreements between producers and wholesale amounted to a restrictive practice in breach of Article 85 of EU law.

In fixing the amount of the fine, the Commission took into account the "serious" infringement of EU law, but also the fact that pharmaceutical products prices are not set autonomously by companies but are governed by national rules and regulations.

# German industry and unions redraw battle lines over jobs

## Wolfgang Münchau on failure of this week's unemployment talks

After only a short lull, hostilities between Germany's trade unions and employers have flared again this week over how to reduce unemployment.

IG Metall, the country's engineering union, and metal industry employers failed earlier this week to reach a consensus over the "alliance for jobs" – a trade union offer of wage restraint in exchange for 330,000 new jobs. Both sides walked out of the meeting hissing at each other.

Mr Klaus Zwickel, IG Metall's president, first proposed the alliance idea at a trade union congress last November. He had to overcome much dissent, especially among the hard left who opposed what constituted the first public recognition by the union of a link between the level of real wages and unemployment.

Chancellor Helmut Kohl and most of the German media welcomed the idea of such an alliance, but it put Gesamtmetall, the metal industry employers' federation, in a difficult position. At first the employers appeared divided and confused, and uncertain how to react.

One leading industrialist privately derided the plan as "populist trash", a sentiment shared by many colleagues who found the proposals utterly unacceptable, even though they might use less extreme language in public.

The German metal industry is in the throes of change and companies are hard pressed to keep their current staff levels, let alone hire new workers.

After months of prevarication Gesamtmetall this week finally came out with a counter-proposal – not even close to what Mr Zwickel had in mind. Gesamtmetall submitted a "collective emergency programme" based largely on labour market deregulation. It calls for pay restraint, lower entry-level wages, more working time flexibility, and a greater regional devolution of the industrial bargaining process.

Mr Zwickel was furious and has been fuming over the employers' stance ever since. He threatened to rescind his alliance for jobs offer if no agreement is reached on January 18, the date set for the next encounter, the last before both sides are due to meet Chancellor Kohl.

A day after the failed talks he said: "I cannot hide my disappointment. Just on the day when the Federal Labour Office announced the news of 3.8m unemployed, the highest we have ever had in the Federal Republic, the employers' federation tells us that they are not interested in an alliance for jobs." He called Gesamtmetall's counter-offer "a catalogue of horrors to dismantle the collective bargaining process and the welfare state".

Mr Hans-Joachim Gottschol, the outgoing president of Gesamtmetall, called Mr Zwickel's comments "unsustainable and malicious", accusing IG Metall of erecting roadblocks to a true alliance for jobs and competitiveness.

In return, the union chief threatened to withdraw the offer of wage moderation if there was no deal. With the threat, he reaffirmed that he saw the pay restraint offer as a real concession, one that would depend critically on a contractual commitment by industry to increase employment.

Paradoxically, however, what appears to be an offer for unusual pay restraint could end up as an unusually large rise in industry's wage bill.

The alliance for jobs is a gamble for every party involved in the debate. Mr Zwickel is a highly regarded negotiator in the best IG Metall tradition, a man with a stern poker-face that reveals not even a hint of emotion. Mr Gottschol, his counterpart, by contrast is a part-time official who is leading an internally divided industry federation at a time of crisis.

Whoever is in charge, Gesamtmetall has little leeway for generosity at present. After the past year's wage increase of between 6 and 7 per cent, combined with the effects of the strong rise in the D-Mark, Germany's engineering industry is currently in no mood, or position, to offer anything.

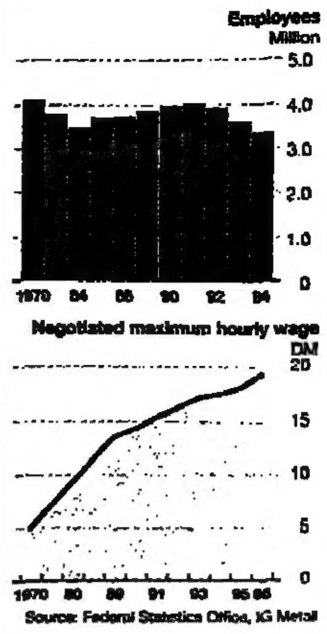
The government, which forms an integral part of the alliance for jobs, may also find it difficult to deliver its part of the bargain because of severe budget restraints.

Mr Zwickel has calculated that the creation of 330,000 jobs, including 10 per cent earmarked for the long-term unemployed, would yield more than DM4bn ($2.7bn) in taxes and reduced social costs. But as part of its contribution to the alliance, the government would have to refrain from any further cuts in unemployment pay.

Chancellor Kohl may yet use his authority to force IG Metall and Gesamtmetall to reach some kind of deal. With about 3m members, IG Metall is the largest trade union in Germany; other unions have subsequently come out with similar suggestions, and are bound to follow whatever the metal industry agrees upon.

Personally, Mr Zwickel has no doubt that his alliance for jobs, if enacted, would help the sluggish German economy, and especially the 4m unemployed – 6m if one includes all those on special government-funded job schemes.

Germany's metal industry




Source: Federal Statistics Office, IG Metall

# Paris cuts growth estimate to 2.6%

By David Buchan in Paris

The French government yesterday reduced to 2.6 per cent its estimate of how much the country's economy expanded last year, while an official survey put the "morale" of French households last month at its lowest ebb for eight years.

In scaling his ministry's 1995 growth forecast from 2.9 down to 2.6 per cent, Mr Jean Arthuis, French economy minister, was aligning himself with the estimate produced by the Insee statistics agency last month. However, he claimed the slowdown was only a pause and that growth would pick up later this year.

Insee also reported yesterday that its index of the morale of French households, which essentially measures the difference between optimists and pessimists, had fallen to its lowest point – minus 38 – since the index was started in 1987. The Insee index had last year recovered from a low in mid-1993, only to fall sharply since last summer.

But an aide of Mr Arthuis pointed out that Insee took its latest survey at the height of last month's public sector strikes, and before December 21 when the government announced new tax breaks for people taking money out of savings schemes and money market funds to spend on consumer durables.

The aide also pointed out that according to Insee's December survey, households were less inclined than before to save. Last year saw households' post-tax disposable income rise by 2.9 per cent, the biggest rise in five years. The government hopes the French will this year start reducing their high savings rate of 14 per cent and begin to spend.

Mr Arthuis has said he would revise his 1996 growth forecast of 2.8 per cent which accompanied last September's announcement of this year's budget, but his aide said yesterday this revision might not come until March. Banque Indosuez yesterday predicted the economy would expand by no more than 1.4 per cent this year.

Following Insee's estimate that GDP grew by only 0.1 per cent in the last quarter of last year, the government's revision of its 1996 forecast is certain to be downward. But despite calls from leading backbenchers in the ranks of the conservative majority to postpone a new welfare levy for a year, the government has only delayed it from this month to February, citing technical difficulties in putting in place the new 0.5 per cent tax on all income to repay past social security debt.

# Pasok set to survive censure vote

By Kerin Hope in Athens

Greece's governing Socialists were expected to survive a censure vote in parliament late last night, but the bitter three-day parliamentary debate exposed deepening divisions within the party over Prime Minister Andreas Papandreou's refusal to resign.

Mr Costas Simitis, the rebel former industry minister and one of two front-runners to succeed the prime minister, argued that the Panhellenic Socialist Movement was already committed to replacing the prime minister, who has been in hospital for almost two months with critical lung and kidney problems.

Referring to opinion polls showing that a clear majority of Pasok voters want a new prime minster, Mr Simitis added: "There's a clear popular message calling for a firm, transparent decision."

Deputies from the conservative New Democracy party said that given Pasok's 20-seat majority, they did not expect the censure motion to bring down the government, but wanted to expedite Mr Papandreou's departure from politics.

Pasok has set January 20 as the deadline for resolving the leadership question. But as Mr Papandreou's condition improves, his closest political supporters are claiming it is premature to start discussing the succession.

Doctors at the Onasseion Cardiac Hospital said that Mr Papandreou took a walk yesterday in the corridor outside his room. But he is still on a respirator at night and is being fed through a tube in his stomach, they added.

Foreign Minister Carolos Papoulias, one of several senior cabinet members whose careers are likely to end when Mr Papandreou goes, claimed it was "contradictory" to discuss replacing the prime minister while he appeared to be recovering.

Some prominent Socialists argue that if Mr Papandreou's health goes on improving, he should postpone resigning until an emergency party congress can be convened to elect a new leader. Given the party's unwieldy bureaucracy, this would mean extending the political vacuum for another two or three months.

If Mr George Papandreou, education minister and the prime minister's eldest son, cannot make his father agree to step down before the January 20 deadline, the central committee may have to appeal to Mr Papandreou to break the deadlock with a public statement from hospital in order to keep Pasok united.

# US budget chess players plot endgame

## Differences between Clinton and the Republicans have narrowed, says **Jurek Martin**

The great budget game of chicken has given way to a far more subtle battle of chess. The opponents can see the shape of the endgame but dare not yet set it in motion because the cost of a false move could be prohibitively high.

Thus, for once, House Speaker Mr Newt Gingrich provoked little dissent when he laid out the three broad options facing the Republican-controlled Congress and President Bill Clinton following their mutual decision on Tuesday to suspend negotiations on the balanced budget for a week.

They were, he said: to reach an agreement; or for House Republicans to try and forge a pact with conservative Democrats to pass a veto-proof balanced budget resolution; or to agree to disagree and send the issue to the country in the general election, in the process coming to some arrangement that would keep the government functioning for the rest of the year.

There are variations on his theme. The amicable nature of the remarks from both sides reflected an awareness of the pressure from the financial markets, down sharply again yesterday, to settle the issue sooner rather than later. Another is the possibility that the Clinton administration could also cut a deal with the congressional centre sufficient to isolate the uncompromising right.

All may be explored during this period of reflection – which also allows Mr Clinton to visit the troops in Bosnia this weekend and Senator Bob Dole, the majority leader, to hit the primary campaign trail again.

The crude numbers do suggest a narrowing of the differences over federal health insurance programmes, welfare, discretionary spending and tax cuts. The Republicans, for example, have cut their demands for savings on Medicare from about $270bn to $168bn and the size of the tax cut from $245bn to $177bn.

Both remain higher than the administration's latest positions – respectively $124bn on Medicare and $87bn in tax cuts – but some pundits have taken to suggesting that the two sides should now simply split the differences. But, as Mr Dole put it bluntly, "this is not a debate about numbers, it's about policies." White House officials agreed, and Mr Clinton's veto late on Tuesday night of the latest Republican welfare bill merely underlined how wide the policy gulf remained on particular issues.

Complicating matters further is the attitude of the uncompromising Republican right-wing, which Mr Gingrich now can barely control. His two principal deputies in the House, Mr Dick Armey, majority leader, and Mr Tom DeLay, the chief whip, remain visibly unhappy with the Speaker's determination to negotiate.

Mr DeLay, now very much the voice of the radical freshmen, warned this week he was prepared simply to eliminate funds for any government agency conservatives did not like – specifically mentioning the National Endowment for the Arts – as a means of forcing a balanced budget.

Yet the prevalent opinion in Congress – and of the principal negotiators – is that another closure of government is now to be avoided almost at all costs. This could happen on January 26, when the latest temporary funding arrangement expires, but Mr Gingrich's comments suggest that he no longer wishes to use this leverage in bargaining with the administration.

A Washington Post/ABC poll yesterday demonstrated the extent of public discontent with Congress over the most recent three-week shutdown. It also gave Mr Clinton a 53-37 point lead over Mr Dole in the presidential race, though other polls have boosted the majority leader's standing and one this week gave him a small lead over the president.

Less clear is how far the Republicans intend to go in using the debt ceiling as a bargaining chip over the next month. Last week some conservatives spoke of impeaching Mr Robert Rubin, the treasury secretary, for taking extraordinary actions to enable the US to keep paying its debts. But that produced the sort of swift negative reaction from the financial markets that now has both sides nervous.

Nor will it be easy for the Republicans to cut a deal with the southern conservative Democrats sometimes called the Coalition and sometimes "blue dogs" (named after the animal that dominates the work of George Rodrigue, the popular painter from Louisiana).

Mr Gingrich said Republican and Coalition balanced budget numbers were not far apart, which is true, with the sizeable exception of tax cuts. But on Medicaid, for example, the blue dogs insist, like the administration, on preserving the basic federal guarantee of entitlement, whereas Republicans want the whole programme turned over to the states.

And whatever emerges from the House faces, not for the first time, an uncertain future on the more deliberative and moderate Senate. Mr Dole, for example, said he had no interest in Mr Armey's preference for forcing floor votes on the balanced budget.

Not that a vote on anything would be manageable in the snowbound capital. The weather forecast had been for a clear sunny day yesterday but at midday the white stuff was back with a vengeance. Even the chess players in DuPont Circle had taken the day off.

Clinton: a settlement may be within reach Reuter

# Guatemalan army relieved at Arzú poll win

By Fiona Neill in Guatemala City

Guatemala's traditional pillars of power, the army and the business elite, are breathing a collective sigh of relief over the victory of right-wing businessman Mr Alvaro Arzú in Sunday's presidential elections.

Mr Arzú scraped to victory with 51.22 per cent of the vote, thanks to support in Guatemala City, despite trailing populist lawyer Mr Alfonso Portillo in all but four of the country's 22 provinces.

A career politician who has surrounded himself with able advisers, Mr Arzú won the vote on the back of a slick election campaign, despite his bland image. His victory is seen as a vote in favour of stability rather than a return to the strongman politics of the past. Mr Portillo was allied with the country's former military strongman General Efrain Rios Montt.

However, Mr Arzú and his National Advancement party, which holds the majority of seats in the legislature, face a tough battle if they want to do anything more than endorse the status quo. Analysts say Guatemala's fledgling democracy would be fortified by curbing the power of the army and reducing poverty through increased social spending.

But Mr Arzú is shackled by the same alliances with the army and the small but powerful traditional business elite which emasculated the outgoing government of President Ramiro de León Carpio and is unlikely to challenge their power. "We all know what he should do but we don't know whether he will feel the need to do it," one western diplomat said. Democracy was restored in Guatemala in 1986 after decades of brutal military dictatorships and de facto rulers, but the army is still above the rule of law and at least shares the reins of power.

Mr Arzú made early promises he would ensure the army "acts within its boundaries". But analysts say he is already linked to the army's most powerful and artful officer, Gen Otto Perez Molina. Gen Perez belongs to the so-called reformist wing of the army, which favours peace negotiations with left-wing rebels and some reduction in the military's numbers, but is opposed to any purging of corrupt members or officials involved in human rights abuses.

Mr Arzú has promised to launch a 180-day offensive to crack down on crime as soon as he takes office this Sunday. But to be effective the initiative must tackle the role of the security forces in crime rackets. A United Nations mission monitoring human rights has repeatedly said army members are responsible for politically motivated violations and organised crime rackets from drug smuggling to car theft and kidnap rings.

Mr Arzú's roots in Guatemala's exclusive white elite and the support he received from urban middle-class voters mean his promises to reduce rural poverty may fall by the wayside. To increase social spending he has to clamp down on tax evasion. Last year a proposal by the legislature to criminalise tax evasion was quickly dropped.

Mr Arzú's pledge to wrap up peace talks with guerrillas to end Guatemala's 35-year civil war within the next seven months may also prove a little hasty.

AMERICAN NEWS DIGEST

## Brazil attacked over indian law

Brazil has been widely criticised by human rights and indigenous groups for a new law governing the demarcation of indian land, passed by presidential decree earlier this week.

Critics fear the new rules will delay the already slow demarcation process and could make it easier for business groups and politicians to block the handing over to indian groups of land rich in mineral and natural resources.

The new law establishes that non-indians who feel prejudiced by a demarcation can enter a process of complaint. The government feared without such a change the previous land law could have been challenged as unconstitutional.

Mr Nilmário Miranda, president of Congress' human rights commission, called the new rules a "disastrous initiative" which could spur violence against indians from farmers, loggers and illegal gold miners, groups which regularly invade indian areas. He fears opponents of the indians, who often include powerful local politicians and businessmen, will use the new rules to clog up the process with complaints and legal actions. *Angus Foster, São Paulo*

### Chile pension fund losses

Chile's private pension funds registered their first ever losses last year – a negative return on investment of 2.5 per cent in real terms. Mr Julio Bustamante, who heads the industry's supervisory body, said the main reason for the losses was the funds' lack of a well diversified share portfolio. More than half their share investments, representing just under 40 per cent of their total portfolio, is in the electricity sector, where prices were depressed last year. The funds, known as AFPs, had assets of $25.4bn under management at the end of last year.

Mr Bustamante was optimistic the funds would diversify into new areas in the next couple of years. He was also confident a new mechanism allowing investment outside Chile would take off and projected an outflow of $1.5bn in the next two years into a limited range of government bonds and shares in Latin America, as well as in OECD countries and emerging markets. *Imogen Mark, Santiago*

### Two Peru ministers sacked

Two of Peruvian President Alberto Fujimori's longest-serving cabinet ministers have been removed in a surprise reshuffle. The ministers of defence and justice, General Victor Malca and Mr Fernando Vega Santa Gadea, had both served more than four years in their respective posts. The resignation of Mr Juan Castilla Meza, transport and communications minister, has also been accepted.

The new defence minister, sworn in on Tuesday evening, is retired General Tomas Castillo Meza, a former inspector-general for the army. The justice portfolio goes to Mr Carlos Hermoza Moya, who led the Peruvian state's legal action against former president Mr Alan Garcia Perez. The transport portfolio remains vacant. *Sally Bowen, Lima*

### California paddle beatings urged

Conservative Republicans in California's state assembly have revived a proposal to bring back corporal punishment for juvenile offenders.

The bill, which would allow judges to order parents of children found guilty of graffiti vandalism to dish out up to 10 strokes with a wooden paddle, is expected to be voted on this summer. The move comes in the van of a broader attack on juvenile crime expected from the office of Governor Pete Wilson, who earlier this week proposed harsher treatment for young criminals. *Christopher Parkes, Los Angeles*



# Socialist set to be Japan's finance minister

By William Dawkins and Agencies in Tokyo

A 66-year-old socialist with no experience in government is set today to become Japan's next finance minister after Mr Ryutaro Hashimoto, due to be chosen as premier, failed to persuade senior colleagues from his centre-right Liberal Democratic party to take the job.

Officials of the three-party ruling coalition said Mr Wataru Kubo, secretary general of the Social Democratic party, had taken the job after initially also refusing it. His acceptance, which flew in the face of SDP officials' advice, is likely to bring him the additional title of deputy prime minister.

Mr Kubo, a former schoolteacher, is a member of the upper house of the Diet (parliament).

The finance job used to be highly desired as one of the few cabinet posts with real influence. But the next incumbent will come under immediate attack from a newly aggressive opposition, against the previous LDP-dominated government's unpopular decision to allocate at least Y685bn ($6.5bn) of public cash for the liquidation of bankrupt private sector housing loan companies, or *jusen*.

The new finance minister will also be called on to deflect attacks on Mr Hashimoto himself, who was finance minister from 1989 to 1991 when the *jusen* were lending heavily to the overvalued property schemes which caused their collapse. On top of this, it is widely accepted that far more public money will be needed to bail out depositors in ailing financial institutions.

The combative Mr Hashimoto is to succeed Mr Tomiichi Murayama, SDP chairman, after his surprise resignation as prime minister last week. Mr Murayama has held the post for the last 18 months in a government otherwise dominated by the LDP.

Mr Seiroku Kajiyama, a senior member of the LDP's most powerful faction and a former trade minister, refused three offers to take the unpopular and politically dangerous finance job, said party officials.

He told Mr Hashimoto, president of the LDP, that he would have to find someone "prepared to die" for him as the next finance minister.

Mr Hashimoto had felt that Mr Kajiyama is one of the few politicians strong enough to push the *jusen* plan through parliament, without irreparable damage to his own future. He is instead expected to be appointed chief cabinet secretary, the government's main spokesman.

Other possible candidates for the finance ministry had included Mr Kosuke Hori, a former education minister, who has political links with agricultural co-operatives, the main beneficiaries of the *jusen* plan.

Despite the difficulties of forming a cabinet, Mr Hashimoto's path to become Japan's fifth prime minister in three years was otherwise smoothed yesterday. The opposition New Frontier party, led by his lifelong rival, Mr Ichiro Ozawa, temporarily dropped its plan to resign from parliament *en masse* in an attempt to precipitate a general election. Younger members of the party felt they had little chance of regaining their seats, said officials.

With that threat in abeyance, Mr Hashimoto should easily win this afternoon's vote in the lower house of parliament. His coalition, with the SDP and New Harbinger party, has a 38-seat majority. A small number of SDP members are expected to defect, in protest at the change of leadership from their party leader to the LDP, but defections are also expected from the opposition, which has its own divisions.

# Disputes threaten HK port deal

A political agreement this week over expanding Hong Kong's container port is set to be undermined by private sector wrangling, as the two biggest operators have so far failed to strike a deal over the proposed realignment.

Rationalising the ownership of the berths is called for under the agreement announced in Beijing on Tuesday by Mr Malcolm Rifkind, British foreign secretary. But the various private sector operators, talks among which have been going on for months at the encouragement of the Hong Kong government, have remained at an impasse.

Mr Tony Clark, secretary of the Port Development Board, said: "Tuesday's agreement was very helpful; it cleared one major blockage. What we have to do now is capitalise on it, and we know that's going to be difficult."

The agreement Mr Rifkind said he had struck with the Chinese government in effect put the ball into the private operators' court.

The Hong Kong government confirmed yesterday that once the consortia reach agreement on which of the existing and planned berths each is to own, the two governments would accept their arrangement. However, it may not yet be this clear-cut because it appears likely China will withhold final approval until it has seen the ultimate line-up.

Hong Kong's port, the busiest in the world, is vital to two of the pillars of the colony's economy, shipping and trade. But the patchwork evolution of its container facilities over the last quarter century has meant that companies have to shuttle vessels and employees around the harbour to berths which are not adjacent.

Valuations will have to be agreed before berth swaps take place. Some enjoy deeper water or have greater throughput, for example. Operators will be loath to pass on any commercial advantage to their competitors.

Expansion of the port has been held up for some two and a half years by the political impasse.

The Hong Kong government awarded the contract for the four berth Container Terminal Nine (CT9) to a number of operators, including two berths to the Jardine-led Tsing Yi consortium. China objected, claiming the inclusion of Jardine was a kickback for the company's support of Governor Chris Patten's democracy reforms.

Yesterday Mr Donald Tsang, financial secretary, said Jardine "is one of the players involved and should participate in talks".

Mr Ian Durrant, finance director at Hongkong Land, the Jardine arm involved in the Tsing Yi consortium, added that the company would be approaching the discussions with enthusiasm.

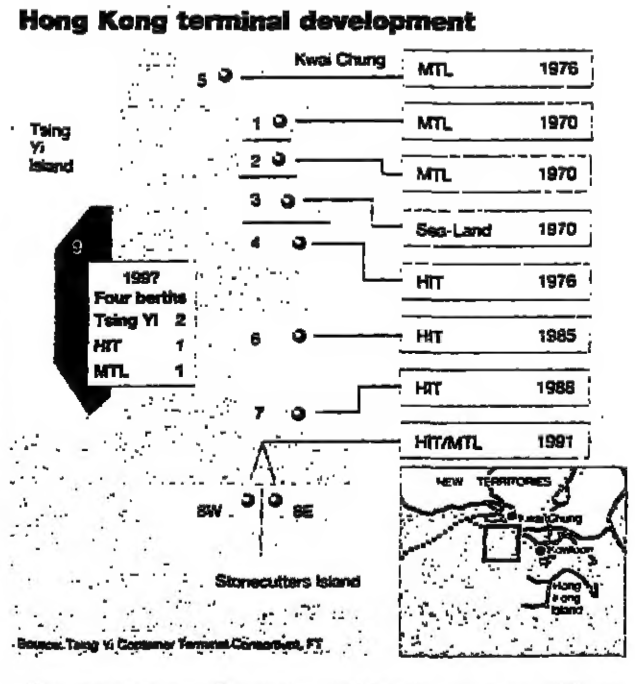
But Jardine is unlikely to be at the hub of the discussions. Rather, they will be dominated by Modern Terminals (MTL), a private company majority owned by Wharf Holdings, the Hong Kong property and infrastructure conglomerate, and Hong Kong International Terminals (HIT), a Hutchison Whampoa subsidiary. These two operators own all but one and a half of the existing terminals, and will gain an extra berth apiece from CT9.

MTL says it is worst off, because three of its terminals lie at one end of the port and a fourth at the other. If CT9 were to proceed as planned, its newest berth would be across the bay. HIT is less concerned because it has substantial port investments across the border. Its Yantian port failed to meet throughput targets last year, however.

The operators are also questioning how strong Tuesday's agreement really is. "They've just told the operators to keep talking to come up with an agreement," said one.

**Louise Lucas**

Hong Kong terminal development




# Rifkind to ask China to resume contacts with Patten

By Tony Walker in Beijing

Mr Malcolm Rifkind, the UK foreign secretary, is likely today to press Chinese President Jiang Zemin to sanction a resumption of contacts with Hong Kong Governor Chris Patten, who has been shunned by Beijing since 1992.

Mr Rifkind, who is on a three-day fence-mending visit to China, has been telling Chinese officials that a decision to re-engage Mr Patten in a dialogue would boost confidence in Hong Kong in the lead-up to the 1997 handover.

Beijing has boycotted Mr Patten since he unveiled plans to expand democratic privileges for Hong Kong citizens. China claims these contradict prior agreements on the territory's transition to Chinese rule.

In his discussions Mr Rifkind had emphasised Britain's "continued total confidence" in Mr Patten. "It was highly desirable," he said, "for Britain and China to have a full dialogue incorporating all those who have an important role to play." Mr Rifkind said he hoped the Chinese side would "reflect on this and we can continue to a proper dialogue that is very much in the interests of Hong Kong".

The foreign secretary first broached the question of Mr Patten in talks on Tuesday with Mr Qian Qichen, China's foreign minister. The two had held a private meeting and later a plenary session involving officials from both sides.

Mr Rifkind has sought to impress on Chinese officials including both Mr Qian and Premier Li Peng, whom he met yesterday, that greater efforts should be made to bolster confidence in Hong Kong. An official travelling with the foreign secretary said last night Britain was concerned about deteriorating confidence.

The UK saw Chinese dialogue with Mr Patten as a possible antidote to increasing anxiety in the colony. It also believed a sensitive choice by Beijing of the post-handover chief executive of Hong Kong was critical to improved confidence.

Meanwhile, Premier Li yesterday decried critics of Chinese insensitivity over Hong Kong. "We believe that as long as Hong Kong keeps its good investment and trade environment, those who have left Hong Kong will return."

ASIA-PACIFIC NEWS DIGEST

## Indian 'giant' urged to awaken

Mr Yeo Cheow Tong, Singapore's minister for trade and industry, told 1,500 delegates attending the Confederation of Indian Industry's high-profile centennial summit in Bombay that India had for too long been a "sleeping giant". The last four years' economic reforms, he said, had "awakened" the giant but "the question is whether this giant will rub its eyes and sit on its bed or get into action".

The minister offered India a stern lesson in what it needed to do in order to catch up its faster growing east Asian neighbours. "India may wish to study the efforts of its neighbours," the minister said. India has long sought full membership of the Association of South East Asian Nations and late last year became a "full dialogue partner" in the association, thanks partly to Singaorean diplomacy.

But Mr Yeo pointed out that while India had in the past four years cut its maximum tariff on most goods from more than 200 per cent to 50 per cent, this still compared unfavourably with rates of 10 per cent in Malaysia and 9 per cent in South Korea. Equally, he said, foreign investment flows into India in 1994 reached just $4.3bn against $23bn of approved investment in Indonesia and $34bn received by China.

Mr Yeo said India needed to speed up reforms "at all levels" to improve the efficiency of its bureaucracy and competitiveness of its industries in a world in which, he said, product life cycles lasted months rather than years.

Mr P. Chidambaram, India's commerce minister, thanked Mr Yeo, adding: "If, minister, you were not frank and candid, you would not have been a minister in Singapore." Mr Chidambaram good-humouredly pointed out that Singapore's share of total approved foreign investments in India was just $270m of $13bn since liberalisation in 1991: "I would just ask of my counterpart to look west." *Mark Nicholson, Bombay*

### Vietnam ventures face new rules

Mr Do Muoi, Vietnam's Communist party chairman, has urged tighter supervision of foreign joint ventures, turning the ideological spotlight on inward investment. Diplomats say Mr Muoi's remarks are part of an increasingly strident campaign by the Communist party designed to set the ideological agenda ahead of a party congress later this year. He was quoted in the official daily Hanoi Moi yesterday as telling officials during a tour of northern provinces that the congress would discuss the future of economic reforms known as *doi moi*.

"The issue of joint ventures between state enterprises and foreign private capitalists has not been paid due attention. As Lenin taught, we are not afraid of capitalist enterprises, but of not being able to supervise them," Mr Muoi said, without saying whether concrete measures were planned. About 98 per cent of foreign joint ventures involve Vietnamese state-owned companies. *Jeremy Grant, Hanoi*

### Call for SE Asian N-free zone

Officials of the Association of South East Asian Nations said yesterday they would lobby the five nuclear power states to sign a protocol accepting a treaty declaring the region a nuclear-weapon free zone. The five acknowledged nuclear powers – China, France, Russia, the UK and the US – have declined to sign such a protocol in the treaty because they found it too comprehensive. *Manuela Saragosa, Bali*

■ Direct foreign investment in South Korea was $1.93bn in 1995, up 46.5 per cent, the Finance Ministry said. *Reuter, Seoul*

■ Vitasoy, a Hong Kong soft drinks maker, announced a worldwide recall of 25m carton-packed drinks after complaints some tasted sour. The recall affects carton-packed soya milk, lemon tea and juices sold in some 25 countries. *AP, Hong Kong*

هكذا من الاصل

# Prisoner release boost for Arafat

By Julian Ozanne in Jerusalem

Israel yesterday freed hundreds of Palestinian prisoners in an effort to boost the electoral prospects of Mr Yassir Arafat, leader of the Palestine Liberation Organisation, days ahead of the first Palestinian elections.

Jubilant relatives, many of who were caught by surprise, celebrated the homecoming of prisoners often eulogised as martyrs in the Palestinian cause. Many of the 800 due to be released by the end of yesterday belong to Islamic and left-wing Palestinian groups opposed to the Israeli-Palestinian peace process.

The release will considerably boost the electoral credibility of Mr Arafat and his Fatah faction. Palestinians have singled out Israel's refusal to honour its promise to release up to 5,500 prisoners as a sign of the moral bankruptcy of the peace agreement.

"The agreement does not meet our aspirations for independence. But I can say that the release of prisoners is one fruit we can see," said one Palestinian waiting for his brother to be released in Hebron.

Meanwhile, King Hussein of Jordan paid his first official visit to Israel, only the second Arab head of state to do so. Israelis rolled out the red carpet for the king and Mr Shimon Peres, the Israeli prime minister, lauded his visit as a sign of the warm relations that can exist between Israel and an Arab country.

"Your very presence is testimony to the ever-expanding ties of trust and co-operation which are binding our countries in a deepening, mutual friendship," Mr Peres told the king.

The king's visit, despite domestic Jordanian opposition to the normalisation of relations with Israel, was a diplomatic victory for Israel and was seen as a signal to Syria about the type of relations Israel would like to see with Damascus in the event of a peace treaty.

# Qatar sheikh sees cash as his ace

## State's deposed ruler stalks usurper son with country's reserves, writes **Robin Allen**

Like a medieval monarch skulking the courts of Europe to rally support to overthrow the usurper, the former ruler of oil-rich Qatar Sheikh Khalifah Bin Hamad Al-Thani, deposed last June by his son Sheikh Hamad Bin Khalifah Al-Thani, spent 10 days over the new year assiduously courting the crowned heads of the Arabian peninsula in an attempt to regain his throne.

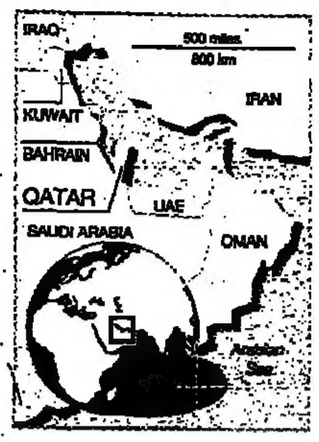
The deposed sheikh has never forgiven his son's "impudence", the more so since he was in Switzerland at the time – the very place his predecessor Sheikh Ahmed Bin Ali Al-Thani happened to be "resting" when unceremoniously removed in 1970 by Sheikh Khalifah himself.

So history repeated itself; except for one thing. It seems Sheikh Hamad crucially forgot to instruct the Swiss banks where Qatar keeps much of its liquid and cash reserves to take away his father's co-signatory power. With an *élan* for which he was famous in his day, Sheikh Khalifah cashed in his king for an ace. He contacted several Swiss banks and instructed them to transfer the funds to his personal account.

In his eyes he was still the lawful ruler. The net result, according to official United Arab Emirates sources, is that "Sheikh Khalifah has taken all the country's money".

Sheikh Hamad: power

Sheikh Khalifah: money




Qatar has a healthy cash flow from oil production of 378,000 barrels a day, its Opec quota. This gives it a minimum net income of $3m a day for a country with only 100,000 nationals. Its production capacity is 415,000 b/d, according to energy minister Mr Abdullah Bin Hamad Al-Attiya and this is being increased to 500,000 b/d by the turn of the century; by which time it will also have incremental revenue from at least two $15bn gas export plants from its North Field reservoir, the world's largest single gas reservoir.

"The goal of Sheikh Khalifah's tour of Arab Gulf countries," said Sheikh Mohammed Bin Hamad Al-Thani, Sheikh Khalifah's personal representative, "is to inform the leaders that he is the legal Emir of Qatar. Sheikh Khalifah did not and will not abdicate under any circumstances. He is returning to rule his dear country Qatar."

Indeed in all the Gulf states Sheikh Khalifah has been royally received. In Abu Dhabi, the ruler and UAE president Sheikh Zayed laid out the red carpet; in Kuwait he was greeted by the Amir Sheikh Jaber; in Riyadh, by Crown Prince Abdullah. In Bahrain, with which Qatar has for 60 years been on terms of mutually courteous but profound antipathy owing to Bahrain's persistent occupation of the Hawar islands claimed by Qatar, the ruler Sheikh Isa allowed his royal visitor to hold a press conference. Sheikh Khalifah took the hint and graciously promised that once back on his own throne, he would "return" the Hawar Islands to Bahraini sovereignty.

In like manner, Qatar's deposed ruler has been condemning his son's recent walk-out from the summit of regional Gulf leaders, his attempts "to split Gulf ranks and weaken the unity of the region". Sheikh Khalifah has promised, through his loyal aide, that "in his capacity as the legal Emir of Qatar he will co-operate and join hands" with Gulf leaders "to bring back Qatar to the fold".

But the leaders of the Gulf states all recognised Sheikh Hamad as Qatar's ruler within days of his deposing his father, and they can hardly break their pledge on the strength of a few promises.

Furthermore the US and other western countries were also quick to recognise Sheikh Hamad. Western diplomats in the UAE can only chuckle helplessly and mutter "strictly off the record" as though they had said something of substance. Indeed there is nothing the west can do except watch this game of political poker play itself out. No one asked the US defence secretary Mr William Perry – on his recent Gulf tour to bolster Gulf defence co-operation – what he thought of it.

It seems likely that western diplomats are simply praying that private Gulf mediation efforts will lead to some compromise between Sheikh Khalifah and his son.

In the meantime the claimant to the throne of Qatar, still with an ace up his sleeve, has established his "temporary quarters" in the UAE's desert oasis of Al Ain, 150km east of Abu Dhabi in the lee of the Hajar mountains. There he can wait for the incumbent ruler of Qatar to play his best hand.

The moral of the tale for future coup plotters: by all means, take control of the radio station and the armed forces; but don't forget to write a memo to the bank manager.

## INTERNATIONAL NEWS DIGEST

### Israel names security chief

Israel yesterday appointed a former navy commander to head the Shin Bet, the secret service agency tarnished by the security failures surrounding the assassination of former Prime Minister Yitzhak Rabin.

Israeli newspapers, defying military censors, published the name and picture of Rear Admiral Ami Ayalon (above) and declared that the era of secrecy surrounding the agency was over. Israel has traditionally held that the name and face of the head of Shin Bet was a state secret.

However, newspapers have yet to publish the photograph and name of Admiral Ayalon's predecessor who is only known by the Hebrew initial "Kaf".

Kaf resigned on Monday saying that a commission investigating the assassination was treating him unfairly and had already decided to recommend his dismissal before it had finished receiving evidence. *Julian Ozanne, Jerusalem*

### Algerian militants to fight rivals

Divisions within Algeria's Islamic groups appeared to deepen yesterday after the extremist Armed Islamic Group (GIA) declared war against the Islamic Salvation Army (AIS), the armed wing of the Islamic Salvation Front (FIS), the party which was expected to win the 1991 elections cancelled by the government.

In a statement published by the London-based Arabic daily Al-Hayat, the presumed leader of the GIA accused the AIS of having given in to the electoral and democratic process and said it was time to fight the the group.

The intensification of the feuding among Algeria's Islamic factions will please the new Algerian government which is hoping that it will lead FIS leaders to give up their four-year armed struggle.

Although the Al-Hayat report cannot be independently verified and the GIA is believed to have been infiltrated by the government, FIS officials have in recent months attempted to distance themselves from the GIA, accusing it of assassinating FIS leaders who had defected to the GIA and condemning GIA bomb attacks. *Roula Khalaf, London*

## Private banks welcome attempts to avoid competition for emerging markets

# Report calls for IFC to set out rules

By George Graham, Banking Correspondent

Private sector banks have welcomed the International Finance Corporation's efforts to avoid competing directly with them for work in emerging markets but want the IFC to go further still.

A report, released yesterday by a study group representing the main international banks, said the IFC, the private-sector financing arm of the World Bank, should set out clearer rules for "graduating" countries which no longer needed its financial help because they had substantial access to international capital markets.

In addition, the IFC, which is funded by member governments with the aim of stimulating private sector growth in the developing world, should rule itself out of competition with private investment banks for any advisory mandate awarded by a bidding procedure.

The report, from the Institute of International Finance, a Washington-based group representing major international banks, said that the IFC had taken a "major step forward" last month when it published guidelines setting out the conditions in which it would agree to advise governments on privatisation or help companies with share flotations.

The IFC guidelines started from the principle that "it is inappropriate for the IFC to compete with capital and skills that are adequately provided by the market."

But the group said 71 per cent of the IFC's outstanding loans were still concentrated on the same 15 countries, including big borrowers such as Argentina, India and Brazil, where private sector banks have been most willing to provide capital.

"IFC should adopt an active and transparent graduation policy as part of a basic reorientation away from countries that have access to international capital markets toward those that do not. Generally, there should be a presumption that IFC will not support transactions in countries designated as having substantial access to international capital markets," the IIF said.

Mr Richard Parry, head of syndications at IFC, said there had been considerable convergence between the IFC and the IIF during the formulation of their respective recommendations.

"I think we are talking about shades of grey, not black or white," he said.

But IFC officials believe it would be impractical to establish more precise rules for determining when they should withdraw from a deal because alternative financing is available from the private sector at reasonable rates, as IIF urges.



# Vietnam names new refinery partners

By Jeremy Grant in Hanoi and Robert Corzine in London

PetroVietnam, Vietnam's state oil agency, said yesterday it had chosen South Korea's LG Group, Petronas of Malaysia and Conoco of the US to invest in Vietnam's first oil refinery in place of Total of France, which pulled out last September saying it was not viable.

Conoco said that it had been invited to take a 30 per cent stake with Petronas in a feasibility study for the refinery but that no decision had been made on any involvement beyond a feasibility study.

The project has been mired in controversy since last year when the government chose a remote coastal site for the plant. Total's decision to relinquish its stake confirmed some analysts' doubts about the wisdom of pushing ahead with the $1.2bn project.

Vietnam has been seeking investors for the scheme to pump refined crude from a site known as Dung Quat by the year 2000. The area is 970km from the nearest source of Vietnamese crude and has virtually no infrastructure.

Taiwan's state oil company Chinese Petroleum Corporation (CPC) and Chinese Investment and Development Corporation (CIDC), Total's original partners in the project, have a combined 10 per cent stake in the project, said Mr Ho Si Thoang, PetroVietnam's chairman. Both said recently they wanted to reduce their stakes.

Daewoo of South Korea had said it might replace Total but Mr Thoang made no mention of the company yesterday.

Oil industry analysts have repeatedly questioned the need for Vietnam to build any refinery given an anticipated oversupply of refined crude in the region by the year 2000. But they add that Vietnam may want one to satisfy national infrastructure priorities.

"They don't need it because there's going to be a lack of refining capacity. They feel they need it as a measure of national security," said Mr Al Troner, managing director of Asia Pacific Energy Consulting, based in Kuala Lumpur.

Oil industry analysts said none of the five foreign companies expressing interest was likely to consider the refinery economically viable, but could be interested for strategic and political reasons. Conoco is known to have retail and marketing ambitions and may be hopeful that by showing commitment to the Vietnamese refinery, it stands a chance of gaining a share of the country's domestic petroleum products market when it is opened up to foreign investors.

Petronas is understood to be driven by political and strategic interests and may be hoping that the refinery will complement its discovery of oil at the "Ruby" field south of Vung Tau, one of the country's few promising oil blocks. The Taiwanese are likely to see their stake as part of a move to increase offshore refining, Mr Troner said.

However, analysts concur that five foreign partners in any "green field" refinery is an unusually high number, indicating some reluctance on the part of each to show real commitment. "It seems everyone wants to be a participant but no one wants to lead the chorus," Mr Troner said.

Assuming the consortium agrees on a the framework for a feasibility study, financing will be a major hurdle and may delay the project beyond Vietnam's deadline of 2000. This would force Vietnam to continue reliance on expensive imports longer than it wants.

# Japanese vehicle imports soar to record levels

By Michiyo Nakamoto in Tokyo

Japanese vehicle imports reached record levels in 1995 for the second year running, underlining the strong impact of diverging consumer tastes and a high yen, the Japan Automobile Importers' Association said yesterday.

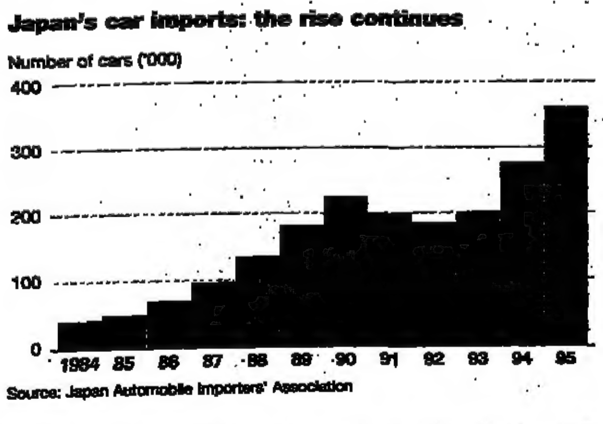
The association said vehicle imports rose 29 per cent last year to 388,162 vehicles, while sales of imported cars climbed 31 per cent to 362,265. This is *the third* consecutive year-on-year increase in imported car sales.

The increase took the share of imported cars to more than 10 per cent for the first time (excluding small vehicles with engine sizes of 660cc or below).

The popularity of imported cars has been encouraged by the high yen, which has enabled foreign companies to offer attractive prices. Other factors have been an increase in right-hand drive imports and diversifying consumer preferences.

However, even among imports, cars with Japanese marques proved particularly popular. Honda imports from overseas plants took the largest share of imports and Toyota, which has only recently started to import its cars to Japan in volume, emerged with the fifth largest market share among importers. Japanese carmakers have increased sales of cars manufactured at overseas plants by 28 per cent.

**Japan's car imports: the rise continues**




Source: Japan Automobile Importers' Association

Toyota, which has associations with General Motors and Volkswagen, is planning to sell foreign marques through its dealer network. It plans to sell 45,000 US-made cars this year, up from about 31,100 in 1995, and 29,000 Volkswagens, up from 24,000 last year.

Imports of European cars were particularly popular. Honda was followed by Volkswagen/Audi, Mercedes-Benz and BMW among best selling imports, while sales of Rover cars rose 38 per cent and those of Volvo grew 33 per cent.

Other European carmakers, such as Adam Opel and Renault, stepped up their marketing efforts in Japan with the introduction of low-cost models, which are proving increasingly popular. Sales of Opels, sold through Yanase & Co, Japan's top dealer of foreign cars, rose 69.7 per cent from a year earlier to 32,493 in 1995, helped by strong demand for its cheaper Vita compact.

The "big three" US vehicle manufacturers also increased sales in Japan. Ford saw sales in 1995 grow 21 per cent. However, GM and Chrysler both increased sales by only about 6 per cent.

The Japanese industry association forecasts a 15 per cent rise in imports this year to about 450,000 units.

# Bell Canada signs Indian pact

By Robert Gibbens in Montreal

Bell Canada International, part of Canada's biggest telecommunications group BCE, and its Indian partner Tata Industries yesterday signed agreements to provide cellular and basic telephone services in Andhra Pradesh, India's fifth most populous state.

The BCI-Tata consortium was the only group to submit an acceptable bid in the bidding for basic telephone licences.

The consortium was one of six joint ventures between Indian and foreign companies to win tenders to provide basic telephone services in a part of India. A further round of bidding is expected for eight remaining zones which failed to attract any bids last week.

BCI yesterday described the dual award as in the state is a "unique investment opportunity." At present Andhra Pradesh has approximately 700,000 telephone lines, a penetration of only one per cent, and no cellular service.

To comply with India's foreign ownership rules, Tata will hold 51 per cent of the cellular and telephone operating companies, BCI 39 per cent and American International, one of the biggest US insurance companies, will hold the remaining 10 per cent.

BCI is committing an initial $135m and will provide management and technical support. Tata estimates investment of $2bn will be required over 15 years.

India's Supreme Court next week is due to hear complaints against the national government's tendering process for telecommunications licences covering 20 regions. BCI-Tata recently lost a contested bid for Maharashtra State.

Earlier this week the Supreme Court postponed a crucial hearing of a set of petitions challenging the government's progamme to privatise the country's basic phone services.

Last month the court ordered the government to put a hold on awarding any licences to firms to operate basic telephone services, the backbone of the programme, until it ruled on the seven petitions.

The award of telephone licences has caused political difficulties with opposition protests paralysing parliament during December. Opposition lawmakers accused the government of favouring one company and bungling the programme.

Before reaching the court, the privatisation programme was well on its way, following cabinet approval in 1994.

# Kantor drops US banana inquiry

By Deborah Hargreaves

Mr Mickey Kantor, US trade representative, yesterday conceded some ground in the long-running dispute between the US and the European Union over banana import arrangements when he dropped a US trade investigation into Colombia and Costa Rica.

Mr Kantor launched the section 301 trade investigation a year ago after complaints from US companies that their interests were being harmed by the way these two countries were implementing quotas for deliveries to the EU market.

Mr Dan Glickman, US agriculture secretary, was due in Brussels yesterday for talks which were expected to include the US's wider investigation into the EU's controversial banana import regime. However, due to severe snow storms in the US, Mr Glickman's talks were postponed.

The US complained to the World Trade Organisation last year, claiming the EU discriminates against US companies by favouring imports from African, Caribbean and Pacific countries. Its complaint was supported by Guatemala, Honduras and Mexico and it has threatened retaliation against EU imports to the US. Officials indicated that the withdrawal of the investigation was a good sign for the outcome of the WTO complaint.

Colombia and Costa Rica were given quotas for shipments representing 21 per cent and 23.4 per cent of the overall ceiling of 2.5m tonnes for shipments of so-called Latin American "dollar" bananas to the EU. The US had objected to the way the two countries shared out these quotas between their exporters and specifically to the fact that Dole and Chiquita, two US companies operating in Latin America, were not given a share of the quota.

Colombia and Costa Rica have now amended the way quotas were assigned to give those companies a share of the EU shipments. In Colombia, the US companies have been given a quota representing 2.2 per cent of the EU market.

## WORLD TRADE NEWS DIGEST

### $1.5m bill for Beijing pirate

A Chinese court has ordered a Beijing computer software company to pay $1.56m in compensation for pirating the copyright of a domestic competitor, the highest amount awarded in a software copyright violation case in China. The court ordered Taile Electronic Technology to pay Yn13m in compensation to Chengdu Maipu Electrical Equipment.

The court also ordered the Beijing company to halt production of unauthorised products and publish an apology in national newspapers. *Reuter, Beijing*

### Computer sales boom forecast

Sales of computers and computer peripherals in China are expected to increase by 30-40 per cent to Yn65bn-Yn70bn ($7.8bn-$8.4bn) this year, according to government estimates. Domestic demand for personal computers this year is expected to grow to between 1.5m and 1.7m, worth Yn25bn, according to the ministry of electronics industry.

China's domestic computer manufacturers currently account for about 25 per cent of domestic sales. Most leading western PC vendors have already established manufacturing facilities in China in anticipation of growing domestic demand. Among other forecasts, the annual demand for high-powered computer work stations in China is expected to grow to about 5,000 this year. Demand for printers is estimated at 800,000 units, "dumb" computer terminals at 380,000, hard disks 1.5m and keyboards 5m. *Paul Taylor, London*

### Arco to invest more in China

Arco, the US oil giant, plans to devote greater resources to China in oil and gas exploration, refining and power generation. Mr Mike Bowlin, Arco's chairman and chief executive, said yesterday that China "rated very high" in the company's priorities.

Mr Bowlin yesterday inaugurated China's largest offshore natural gas project, located off the country's southern Hainan island. Investment in the Yacheng 13-1 field, discovered by Arco 13 years ago, totals $1.2bn, and includes construction of subsea pipelines to transport gas to Hong Kong and Hainan island.

Arco is also exploring for oil and gas in the South and East China Seas and has taken a 9.9 per cent stake in Zhenhai Refining and Chemical Company, located in Zhejiang province, south of Shanghai. The company has committed more than $1bn to its China ventures. *Tony Walker, Beijing*

### Scottish group wins £20m order

Weir Group, the Glasgow-based engineering company, has won an order worth nearly £20m ($31m) from China Nuclear Energy Industry Corporation to install pumps and valves for the Qinshan nuclear power station near Shanghai.

The order consolidates Weir Group's position in China where it won its first order for pumps in 1979. In 1987 it supplied pumps to the Daya Bay nuclear station in Guangdong province, and in 1992 gained a £12m order for the Zouxian nuclear plant.

Total orders for the Weir Group from the Indo-Pacific region, which includes Japan, China and India, were £67m in 1994 representing 14.5 per cent of total group orders.

The pumps will be made by Weir Pumps of Glasgow, with Weir's subsidiary Hopkinsons providing valves. The equipment will appear on site in 1998.

The contract is backed by a $30m loan through Standard Chartered Bank, backed by the Export Credits Guarantee Department. *James Buxton, Scottish Correspondent*

'Serious implications' as fewer than a third of expected travellers use Channel service in first year

# Eurostar trains fail to hit passenger target

By Charles Batchelor, Transport Correspondent

Eurostar high-speed trains through the Channel Tunnel between England and France are expected to carry less than a third of the passengers originally expected in the first year of operation, Sir Alastair Morton, co-chairman of Eurotunnel, admitted yesterday. Eurotunnel is the Anglo-French company which operates the tunnel.

The effect will be that Eurotunnel will receive only the minimum guaranteed payment of about £200m ($309.8m) a year from the UK, French and Belgian railways over the next five years instead of the much larger sums expected. "The implications are serious," said Sir Alastair.

The railways originally forecast that Eurostar would carry 16.5m passengers in 1993 – which was expected to be the first year of operation. But Eurostar services did not start until 1995 and are now expected to carry only 5m passengers in 1996, up from 3m last year.

Eurotunnel was required on the basis of the early optimistic forecast to offer half of the tunnel's total capacity to the national railways, retaining half for its own car and freight shuttle services, said Sir Alastair.

Part of the problem in the UK has been the privatisation of British Rail, the national network, which has distracted managers from promoting tunnel rail services. "The government has to come back to the table to deliver because this is relevant to where we end up in our negotiations with the banks," said Sir Alastair.

Eurotunnel expects to carry 8m passengers in 1997, up from 5m this year, and 1.95m cars and coaches, up from 1.22m. Eurotunnel has become market leader on the Dover-Calais routes with 41 per cent of the passenger traffic market and 45 per cent of the freight market.

It had a record month in December 1995 carrying 163,000 cars and coaches, 21 per cent more than in November. The number of trucks fell to 41,770 from 48,260 because of widespread strikes in France.

Eurotunnel is continuing its attempt through the European Court to outlaw duty-free sales on ferries though this could take 18 months to resolve. Without duty-free earnings the ferries would be make losses, Sir Alastair said.

Eurotunnel plans to increase capacity by 50 per cent next year when shuttles which had been taken out of service for modification are returned. It plans to buy 16 extra freight shuttles in autumn 1996 to increase freight capacity by 10 per cent.

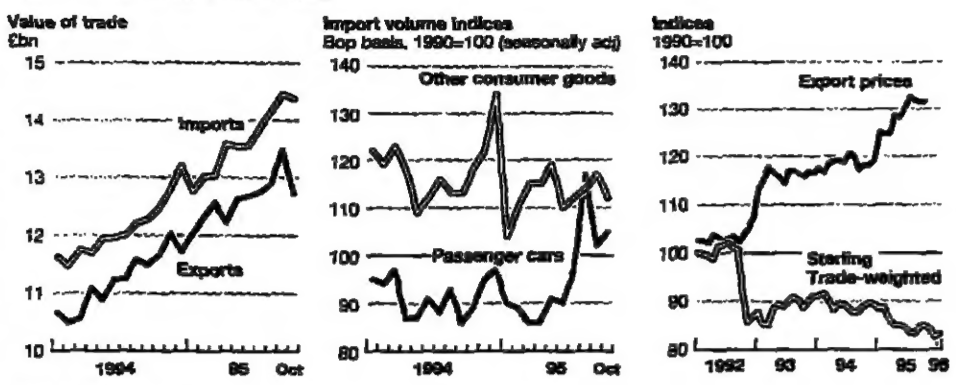
In 1998 it will buy two new complete freight trains increasing the total number to nine. The cost of the new shuttles will be less than half of the amount that it paid for the original ones, Sir Alastair said.

**The economy** Trade deficit is at its widest for almost three years

# Slow growth hits exports in Europe

By Gillian Tett, Economics Correspondent

**The widening trade gap**




Source: CSO; Datastream

British exports to Germany and other European countries fell back in October as the slower than expected pace of growth in mainland Europe hit UK companies.

The pattern was in sharp contrast to the surge in exports which buttressed the British economy earlier in the recovery. Coupled with weaker sales to the US, the decline pushed the UK trade deficit to its widest level for almost three years.

The scale of the deficit, shown in official figures released yesterday, took the City by surprise. Meanwhile, the Central Statistical Office warned that the data suggested that the trade gap was on a widening trend.

Nevertheless, economists pointed out that the broader trade picture remained relatively healthy. In spite of the monthly drop, exports are still showing yearly growth, while the trend in imports is for modest growth.

Measured overall, the CSO said that UK exports fell by a seasonally adjusted 5.5 per cent between September and October. Import volumes fell, amid a sharp rise in import prices.

This pattern left the trade deficit for October at £1.7bn, the highest monthly figure since December 1992.

Part of the increase in the deficit was due to unusually high levels of silver imports, and other erratic items. However, measured on a quarterly basis, without erratics or oil – a more reliable guide to the trend – the deficit widened to £4.8bn in the three months to October, from £4.2bn in the previous three months.

Some economists expect the balance to improve again soon. Data on countries outside the EU – which are published ahead of EU figures – has already shown that the deficit with countries outside the Union, which account for about 40 per cent of trade, fell in November. Meanwhile the level of imports sucked into the UK economy may fall if the pace of UK growth eases and companies reduce stocks. CSO data yesterday fuelled expectations of weaker UK demand: the cyclical indicators, which predict turning points in the economy 5 months and 13 months in advance, both fell back last month.

However, some economists fear British exports could also weaken further in the months ahead, if European and US growth continue to disappoint.

Although business surveys have shown companies are more upbeat about exports, industry groups admit overseas conditions are becoming tougher.

In the three months to October exports to Germany fell 1.3 per cent. Exports to France were broadly flat, although they fell slightly in October. Meanwhile exports to Belgium, Luxembourg and the Netherlands dropped sharply in the month.

Imports of cars from EU states rose 20 per cent in the three months to October compared with the previous three months, while car exports to EU states rose 5 per cent.

**Continuing loss of business confidence and a downturn in exports were reported yesterday by the 22 chambers of commerce covering north-west England and north Wales, *Ian Hamilton Fazey writes in Manchester*. The chambers' latest quarterly survey for the final three months of 1995 shows a reduced growth rate in home and export markets for manufacturers, although retailers were happier because of good Christmas trading. The trend of recent surveys by chambers in the north-west – a region accounting for more than 10 per cent of UK gross domestic product – suggests that manufacturing order books peaked late in 1994, and that business activity and growth rates have fallen back to mid 1993 levels.**

# MPs to probe sacking at Stock Exchange

By James Blitz at Westminster

An investigation into the dismissal of Mr Michael Lawrence as chief executive of the London Stock Exchange was launched last night by one of the most influential committees of the House of Commons. The all-party Treasury committee is to summon Mr Lawrence to give a public account of his sacking after members of some of London's largest investment banks staged a revolt against the manner in which he was implementing share trading reforms.

The committee, which has a majority of Conservative MPs, will also summon Mr John Kemp-Welch, the exchange's chairman, and fellow board members to give a full account of why they dismissed Mr Lawrence.

The MPs also want to ask Mr Kemp-Welch and leading City financiers how they view the development of the exchange amid controversy over Mr Lawrence's attempts to introduce a "hybrid" system of share trading. The decision to mount an inquiry allows parliament to take a view on whether the exchange is failing to push through share trading reforms which can maintain its reputation in international financial markets.

At the conclusion of the hearings, the committee will publish a report with specific recommendations to which the government must respond. Ministers are under no statutory obligation to heed the committee's views. But recent Commons committee reports have criticised City of London institutions and have had an impact on thinking in the opposition Labour party.

Several members of the committee made clear that they were concerned about Mr Lawrence's dismissal last week. One Labour MP described the exchange as "an oligarchy which needs prising open."

● The London Stock Exchange confirmed yesterday that it intends to introduce a new trading method for large company shares this year, our Banking Editor writes. The exchange said it would introduce "full electronic trading and order matching" this year. The order matching method is likely to replace marketmaking as the main way of trading small blocks of shares.

Large investment banks that now act as marketmakers, providing continuous offers to buy and sell blocks of shares on the Seaq bulletin board are seeking safeguards to ensure they retain a role in trading big blocks of shares.

# Venables to quit as England soccer boss

Mr Terry Venables, coach of the English national soccer team, will quit his job after the European championship finals this summer to fight a series of legal cases.

A spokesman for the Football Association (FA), said Mr Venables had informed the sport's national governing body that he wanted to leave at the end of his contract in June and at the end of the Euro '96 tournament, which will be held in England.

Mr Graham Kelly, chief executive of the FA, said he was "deeply disappointed" by Mr Venables' decision not to seek to carry on as coach after the European Championship to be held in England this summer, but "understood the thinking behind it".

Mr Kelly said he did not regret appointing Mr Venables – whom he said was the choice of the "vast majority" of football pundits – as coach in January 1994. However, he confessed "the number of issues that have come out over that period has been greater than we had expected at the time."

The loss of Mr Venables means England is now looking for both a new coach and a new technical director. Observers fear a change of management team half way into the four year build-up to the world cup in France in 1998 may weaken the team's chances.

Mr Kelly said he believed in continuity and would look for a suitable replacement. The bookies' favourite is Mr Kevin Keegan, manager of premiership leaders Newcastle United – though club owner Sir John Hall is said to oppose such a move.

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New chief named for broadcaster with one of world's top brand names

# BBC seeks bigger international role

By Raymond Snoddy in London

Sir Christopher Bland in London yesterday

Sir Christopher Bland, a former chairman of London Weekend Television and a member of the governing Conservative party, is to succeed Mr Marmaduke Hussey as chairman of the BBC, the public service broadcasting organisation. The Labour party expressed concern at the appointment in the run-up to a general election. Mr Jack Cunningham, the Labour party's shadow heritage secretary, said it would monitor Sir Christopher's decisions closely.

Sir Christopher, a former deputy chairman of the old Independent Broadcasting Authority, made clear after Granada's successful hostile takeover of the LWT television company in 1994 that he wanted to be chairman of the BBC. His main priorities will be maintaining the BBC's "impartiality and independence, and the quality of its programmes". Sir Christopher said he looked forward to joining "the best broadcasting organisation in the world".

Mrs Virginia Bottomley, the minister responsible for broadcasting, said yesterday she had chosen Sir Christopher partly to spearhead the BBC's international commercial activities, such as the sale of its programmes abroad.

She believes that the BBC will increasingly have to earn additional money to supplement the licence fee. Revenue from the annual licence fee paid by households for the use of their television receivers finances the BBC, which does not carry commercial advertising in its broadcasts.

Mrs Bottomley said choosing a chairman for the BBC had been one of the most important decisions she had taken as national heritage secretary.

She said she had in mind the sort of chairman who could combine exploiting the BBC brand name internationally – the second most famous after Coca Cola – with maintaining the quality of the BBC as a public broadcaster domestically.

As Sir Christopher takes over at the BBC, the corporation faces a range of difficult decisions – in particular how to compete against the growing number of cable and satellite channels.

Sir Christopher said yesterday he was not afraid of competition but added : "It is important to recognise the realities." The realities include the growing international battle for sports broadcasting rights.

He was speaking on the day it became public that Mr Rupert Murdoch's News Corporation had submitted a $2bn bid for all the summer and winter Olympics between the year 2,000 and 2008 - traditionally the domain of public service broadcasters such as the BBC. "We will certainly be unable to match those sorts of figures unless we can do it in a different way," said Sir Christopher. "But I am not concluding that the BBC will not be a participant in sport any more."

In the longer term one of the different ways for the corporation to win and fund sports rights could be, he suggests, having a subscription channel of its own.

Sir Christopher believes the BBC is now well managed and that the changes implemented by Mr John Birt, the director-general, were absolutely essential. "Where would the BBC be now if it hadn't changed?" Sir Christopher asked. "Would it have even had a new charter?" The government hopes the BBC's new Royal Charter, which runs to 2006, will come into effect in May.

The new chairman envisages continuing to work with his old LWT colleague Mr Birt for some time. "I have great respect for John," said Sir Christopher. "He has changed the BBC out of all recognition. So far as I am concerned he is doing a great job. He has 18 months on his contract before going on a year's rolling contract. To me it is not an issue," says the new BBC chairman.

He is even phlegmatic about possible disputes between managers and governors such the recent one about the recent interview with Princess Diana, which was broadcast in many countries. Mr Hussey was angry at being told about the programme at the same time as royal household, and a small group of BBC governors will examine with Mr Birt whether better procedures can be developed.

# Minister cornered by Austrian bid for army contracts

By George Parker and Bernard Gray

Land Rover yesterday increased political pressure on the government to buy its battlefield ambulances for the British army rather than an alternative from Steyr Daimler Puch of Austria. A £35m ($53.9m) competition for the order is due to be decided very soon.

The ambulance contract has become a highly sensitive issue for Mr Portillo, the defence secretary, who has become the target for withering criticism from the left wing of the governing Conservative party in recent weeks. Mr Portillo faces a conflict in several defence decisions between his nationalist rhetoric in recent speeches and the defence ministry's free-market policies which are consistent with Mr Portillo's right-wing views. Those policies imply that the ministry will seek the best value on the market irrespective of where the goods are made.

If he fails to award the contract to Land Rover, a UK offshoot of BMW, his many Conservative critics at Westminster will turn the issue against him and claim that he had failed to support British industry. However, if the Austrian rival has lower costs over the life of the vehicle, as its manufacturers claim, Mr Portillo would have to overturn a recommendation from the his ministry's procurement executive that the Steyr was better value for money.

The result of the competition will be closely watched as an indicator for other larger procurement decisions. In particular, the decision on whether to upgrade Britain's Panavia Tornado F3 fighters or lease Lockheed Martin F-16 jets instead, due to be made in the next few months, will be highly sensitive.

Yesterday a number of Conservative MPs inspected a Land Rover ambulance, which was parked in New Palace Yard outside the House of Commons as part of a last-ditch lobbying exercise by the company.

Sir Norman Fowler, the former cabinet minister, said: "It would be an enormous blow if the order for the ambulance for British forces went outside the UK. At the end of the day, I hope the quality of the Land Rover will come through."

Other Tory MPs with constituency interests in the order have raised the matter in the Commons, and Mr Andrew Hargreaves, MP for Birmingham Hall Green, asked the prime minister to intervene.

The opposition Labour party has also sought to maximise Mr Portillo's discomfort. Mr David Clark, the party's shadow defence secretary, said: "This is a vital procurement order for the British defence industry, and Michael Portillo should take account of these vital considerations."

Many Conservative MPs believe Mr Portillo may override his officials and opt to buy the Land Rover, thereby reaffirming his patriotism.

Mr George Adams, head of government and military operations at Land Rover, said yesterday that the company's exports could be hit if it did not win the British army order.

## UK NEWS DIGEST

# Minister attacks Saudi dissident

Mr Mohammed al Massaari, the leading Saudi dissident facing deportation from Britain, was denounced by a minister in the House of Commons yesterday as a fundamentalist who had abused British hospitality in order to undermine a friendly government. Sir Nicholas Bonsor, foreign affairs minister, said Mr al Massaari had travelled to Britain "using false papers and under false pretences" and was working to topple the pro-western government of Saudi Arabia.

Ministers have admitted that the dissident, who is due to be deported to the Caribbean island of Dominica on January 19, is being expelled to ease relations with the Saudis, who have been irritated by his continuing stream of attacks on the regime. Ministers were concerned for the jobs of thousands of defence workers whose livelihoods depend on Saudi arms contracts. It is for this reason that leaders of the opposition Labour party have been reluctant to criticise the decision. But Mr George Galloway, Labour MP for Glasgow Hillhead, nevertheless attacked the "conspiracy against human rights" by British security services, ministers and weapons salesmen. Sir Nicholas insisted that "if the Saudi regime were to fall and instability were to occur in the Middle East, that would be in the interests neither of the UK or of the free West".

*Robert Shrimsley, Westminster*

## Sinn Féin shifts on arms

The idea of an independent body to oversee the disposal of arms by the Irish Republican Army was given tentative support by Sinn Féin, the IRA's political wing, ahead of the release next week of a report on "decommissioning" from a committee headed by former US Senator George Mitchell. In publishing its submission to the Mitchell committee, Sinn Fein seemed keen to show some flexibility before Mr Mitchell's meeting today with Mr John Major, the British prime minister.

But in a gloomy assessment of the state of the peace process, Mr Martin McGuinness, Sinn Féin's chief negotiator with the British government, said he could no longer repeat the undertaking he gave last year that the IRA ceasefire would hold in all circumstances. He declined to condemn the recent spate of killings in nationalist areas in Northern Ireland, but admitted that the killings had done little to help Sinn Fein's cause.

*John Murray Brown, Dublin*

## Investment to be simplified

The process of buying life assurance and investments is set to be simplified by the Personal Investment Authority, the watchdog to protect the private investor. The time it takes to buy some products will be reduced and the amount of customer information required by a sales agent before being able to give advice is also likely to be cut. The regulator believes some life assurance companies currently get more information than is needed from consumers buying, say, a lump sum investment policy, and that this is deterring customers from taking out investments. The plans come against the background of the regime introduced a year ago which requires sales agents and advisers to give customers more details about the policies they are selling, including charges and commission.

*Alison Smith, Investment Correspondent* Lex, Page 15

## Cinemas hit record

Britain's cinemas set a record last weekend with the top 15 films taking £7.24m ($11.14m) at the box office, says Screen International, the film industry magazine. The total was more than 70 per cent higher than in the same weekend last year and well ahead of the previous record of £6.66m taken during the opening weekend of *Jurassic Park* in July 1993. UCI, the multiplex chain, reported a 73 per cent increase in its takings over the same weekend in 1995. *Seven*, the US thriller starring Morgan Freeman and Brad Pitt (left), was the UK's highest grossing film last weekend and took £2.6m. This is the seventh highest opening weekend for any film in the UK and a record for an independent production. *Seven* was produced by New Line, the independent US film company before its recent takeover by the Time Warner entertainment group.

*Alice Rawsthorn, Consumer Industries Staff*

## Cadbury 'in TV sponsor talks'

Cadbury-Schweppes, the food and beverage group, could become the first commercial sponsor of *Coronation Street*, one of the most popular and longest-running British television soap operas, in a deal worth up to £10m ($15.4m). Negotiations between the company and Granada Television, which produces the programme, are reported by Marketing magazine, the trade journal, to be at an "advanced" stage. The report states that a contract is expected to be signed within two weeks. Cadbury is said to be Granada's favoured sponsor, but some contractual issues have still to be agreed. Any *Coronation Street* deal would be likely to be the largest sponsorship contract in UK television.

*Diane Summers, Marketing Correspondent*

## Unions are warned on pay

Unions representing 1.5m workers with municipal authorities were warned that a pay rise of more than about 2 per cent would be "difficult to cope with" without risking severe damage to jobs and services. Employers said many authorities could afford to raise pay only by cutting jobs and services. Mr Mick Graham of the big GMB general trade union said there was "no chance" of a settlement if the employers were going to offer only 2 per cent.

*Andrew Bolger, Employment Correspondent*

**Protestors again halt work:** Demonstrators against the bypass being built round the southern England town of Newbury claimed victory when work was abandoned for the second day running. Two days after the start if the £100 ($154m) project, contractors have managed to work for little more than an hour, clearing small trees. About 100 protestors surrounded the first excavator on the site, and work ceased as several threw themselves into holes beneath the machine's claws. Others ran round workers using chainsaws on the trees. Police later called for negotiations between demonstrators and contractors.

Cinema/**Nigel Andrews**

# Obsessed with exposure

SHOWGIRLS
**Paul Verhoeven**

THE WAR
**John Avnet**

DEVIL IN A BLUE DRESS
**Carl Franklin**

THE RUN OF THE COUNTRY
**Peter Yates**

*Showgirls* comes to Britain with the advantage of having been loathed by critics and audiences in America. Over here we love an underdog. I could hear the revaluations starting right after the press show. Critic one: "It's not *that* bad." Critic two: "No, I've seen far worse..."

Be comforted. It *is* that bad. But like any underdog it has moments of lovability. Brought into the world by the *Basic Instinct* team of director Paul Verhoeven and writer Joe Eszterhas, it lopes its mangy, occasionally mirthful way through a plot about a young blonde (Elizabeth Berkley) who comes to Las Vegas dreaming of success as a dancer and discovers – horror – that the place is full of gambling, crime and commercialised sex.

Trying to keep her wings untarnished, even as she bares other body parts, she meets a crypto-lesbian dance star (played by Ava Gardner lookalike Gina Gershon), a scummy impresario (Kyle *Twin Peaks* McLachlan), a rock-singing rapist (William Shockley) and a young black dancer (Glenn Plummer). Plummer *could* save her from career corruption, since his background is in Alvin Ailey rather than bump and grind, but the foolish girl rejects his advances.

The film's own inspirational background seems to be 1950s Hollywood, when America specialised in this kind of lubriciously outraged melodrama. Back then the country had an excuse: it had to get its excitement somewhere (while pretending to moralise), for it was the decade of Eisenhower and family values. Here in the 1990s, though, even with Aids to add cautionary piquancy to sex, we have come too far to go "Gosh," and "Tsk tsk!" at scenes of flashing nipples or rotating derrières. In most weeks we get enough of these at home, courtesy of the TV or VCR.

While Eszterhas's script is peppered with lines you cannot believe survived the waste-paper basket ("She's all pelvic thrust!"), Verhoeven's direction scrapes bottom in all senses and the acting is largely done in sign language. I came finally to wonder if newcomer Elizabeth Berkley was descended from the 18th-century philosopher Bishop Berkeley, who, you recall, said "*Essr est percipi*" or "Being is being seen." As well as being the motto of the whole exposure-obsessed late 20th century, it could be the signature text of a movie whose view of human truth is that if the audience's faces are not rubbed in it it does not exist.

★

*The War*, set in small-town Mississippi in the 1970s, succumbs to an opposite extreme. It is so wholesome that it makes us hanker again for Las Vegas. Vietnam veteran Kevin Costner is plagued with combat nightmares, notably one in which he leaves a wounded friend to die in battle. So he wants his children to grow up valuing loyalty but despising war. Unfortunately they take two hours of screen time to imbibe this, during which they build a tree house, fight for it over and over with a rival gang and execute countless "dares" by diving into lakes of whirlpools.

The film should carry a warning: "Children, do not try *any* of this at home." Above all, do not attempt to compose music like that of Thomas Newman, which fills in all the bits of enraptured preachiness that might be missing from Kathy McWhorter's script or the direction of Jon Avnet, who made *Fried Green Tomatoes At The Whistle Stop Cafe*. This is half-baked fortune cookies at the US-Confucian roadhouse.

A relief to turn to the stylish 1940s-set thriller *Devil In A Blue Dress*. Hardboiled is always better than half-baked, though these *après*-Chandler films also have their strange clichés. Have you noticed how often the hero returns home after a day's vain sleuthing to find the exact object of his search? He or she is sitting there in the dark, a gun on the lap if male or a smile on the lip if female. And we think: why on earth don't these gumshoes just stay at home and wait for their quarries to come to them?

It happens so often in this movie, directed by Carl Franklin from a Walter Moseley novel, that hired snoop Denzel Washington might as well sell his wireless. He is entertained at home each night by colourful character actors. "It's a story about the American dream," claims Franklin, who made the scarily witty thriller *One False Move*. But it isn't really. Nor is it the deep fable of racial stand-off Franklin also claims, though set in a postwar L.A. simmering with black-versus-white mistrust. It is more a good handcrafted *film noir* with showpiece thespians.

As Denzel Washington, whose own hint of a Bogartian lisp gives him *noir* cred, seeks the vanished mistress of a blackmail-embroiled Mayoral candidate, the plot pinballs him from one memorable heavy to the next. These include the majestically blubbery Maury Chaykin as a rival political candidate and Tom Sizemore as the chief hoodlum, a dandified lump of venom with a toothbrush moustache and two trigger-happy henchmen. "Shoot him! (pause) I'm only joking" is a gag his captives particularly enjoy.

The missing lady herself is played with peek-a-boo hair and slinky grace by Jennifer *Flashdance* Beals. She is a hard act for Denzel to find, until we all finally whisper from the stalls, "Go home and she'll probably be there." And of course she is.

★

In *The Run Of The Country* the title landscape is Ireland. Even blindfolded we would know this, from the twangling flute music by Cynthia Millar and the rolling highs and lows of Albert Finney's accent.

After his barrel-chested Irish policeman struck by love in *The Playboys*, Finney obviously stayed on to stretch himself. Here he plays a barrel-chested Irish policeman struck by loss. His dying wife leaves an only son (Matt Keeslar), who becomes our guide and hero through a growing-up tale as much about Ireland itself – or so claims writer Shane *My Left Foot* Connaughton, adapting his own novel – as about the boy's first skirmishes with love (Victoria Smurfit) and ardent nationalism (Anthony Brophy).

Peter Yates directs with low energy on a low budget. The ill-focused movie seems to drift from scene to scene, mostly as bemused as its hero's face as it tries to sort fable from reality. Only one character, Brophy's farmhand with a sly wit and secret guerrilla life, jumps to life. The rest, even Finney's underscripted soak designed to deliver that old old favourite, Fatherly Advice From One Who Made The Same Mistakes, slowly melt into the scenery.

Finally, two for the better-late-than-never category. The BBC's film of Jane Austen's *Persuasion*, though aired twice on television, is allowed a Barbican cinema outing after besotted reviews in America. And *Love Affair* (PG, Glenn Gordon Caron) stars Warren Beatty and Annette Bening in a remake of *An Affair To Remember*, the film to which *Sleepless In Seattle* paid adoring tribute.

The Beatty-Bening effort boasts pretty photography and fair badinage between Hollywood's First Couple. But it dived through the floor at the US box office, ending chances of a full commercial release in Britain. It now sneaks a short, pre-video week at the National Film Theatre.

**Lubriciously outraged melodrama worthy of 1950s Hollywood: Elizabeth Berkley in 'Showgirls'**

London Fringe Theatre

# Damn Yankees

It is a happy new year whose first musical ends with "You gotta have heart". *Damn Yankees*, a hit show when first presented in 1955, is an endearing piece of Americana in which the Faust legend is adapted in baseball terms. Joe Boyd says he'll sell his soul to become a great baseball player: whereupon Mr Applegate appears (from Hell), transforms him into a young hero, and lures him away from his wife Meg. Applegate also produces Lola, a seductive siren, to keep Joe away from the straight and narrow, and... No, the plot is best enjoyed if most of it takes you by surprise. Ironically, considering its subject matter, what is most amiable in *Damn Yankees* is its innocence.

*Damn Yankees* was the work of Richard Adler (composer) and Jerry Ross (lyrics), who had also written *The Pajama Game*. (Six months after the Broadway premiere of *Damn Yankees*, the collaboration ended when Ross – aged 29 – died of a lung disease.) Though none of the songs in the show have carried on into common currency today, each one of them is deftly and appealingly written. And, as the show proceeds, Adler's songs lay before you the sumptuous panoply of musical styles available in the 1950s – march, waltz, rumba, tango, mambo, and more. This is, I believe, a wider range than the then dominant genre of musical created by Rogers and Hammerstein, and it is certainly more vividly evocative of the period in which these shows were written.

This London revival is put on by the enterprising Bridewell Theatre – one of London's newer fringe theatres, in a former swimming pool just off Fleet Street – and the cast has just enough technique to put the songs across to this theatre without microphones. (When the organ swamped the words of the opening number, I feared the worst, but this proved a one-off.)

It is a pity that some of the Bridewell singers, especially in the chorus, wear the kind of old-fashioned make-up that is only elsewhere to be found today in Mediterranean opera houses. One does not have complete belief, for example, in baseball players who, at the sides of their eyes, sport thick streaks of white between upper and lower levels of coal eye-liner. Carol Metcalfe, directing, cannot make all the supporting players seem better than amateurs. And yet, as this *Damn Yankees* proceeds, it wins its audience with – well, yes – heart.

The most accomplished singing is that of Jill Martin as the *hausfrau* Meg Boyd, and the wittiest performances are those of Peter Gale as Applegate and Liz Izen as Lola. The devil and his accomplice get the most show-stopping numbers – but they do not actually get the best tunes. Witness the final trio – a very winning update of the classic trio that ends Gounod's *Faust* – in which Joe and Meg soar steadily along in twinned vocal lines, while the poor devil splutters away with lines like "Listen to me, you wife-loving louse!"

**Alastair Macaulay**

**Bridewell Theatre, EC4 (0171-936 3456).**

# Fav'rite Nation

You might expect a play written in celebration of the centenary of the National Trust to be as tasteful and restrained as a stately home tea room. But *Fav'rite Nation* is anything but. Robin Brooks' play for Empty Space theatre company seethes with turbulent passions, unrequited love and conflicting desires.

Brooks portrays a group of Victorian thinkers and acquaintances involved in the run-up to the trust's foundation, concentrating particularly on the curious relationship between the art critic John Ruskin and Octavia Hill, the energetic social reformer who became a guiding light behind the trust's foundation in 1895.

The play begins with their first meeting, when he is a critic of consequence and she an idealistic 15-year-old torn between her desire to become an artist and her urge to do good works. He signs her up as his copyist, and she patently adores him. But he, having no idea how to handle her, treats her with the sort of sensitivity one usually reserves for a doormat.

They are in good company, however, since virtually everyone in the play is driven by dreams and consumed by anguish. Love is always unrequited. Sophia, Octavia's impetuous, independent friend is in love with Octavia; Octavia with Ruskin; he pines for the young artist Rose la Touche, who languishes confusedly, while her mother, also in love with Ruskin, is gnawed away by jealousy. When the characters are not being torn apart by love, they are striving to reconcile social conscience with aesthetic taste.

Brooks communicates well the sense of a time of change, where the harsh realities of industrial London clash with philanthropic ideals. The structure of the play, delivered in short, sharp scenes, is restless and there is a highly charged atmosphere in which both Octavia's successful energy and Ruskin's profound despair seem possible. Andrew Holmes' production builds on this, turning the Lyric Studio into a dreamlike arena in which scenes are whisked on and off in just a switch of Cath March's Turneresque screen.

But there are large drawbacks to the style as well. Issues are signposted awkwardly and actors often have to turn on a sixpence to suggest emotional changes. The cast is strong, but cannot surmount the sketchiness of the characters.

Most frustratingly, you eventually feel shortchanged by the high-speed revolve of ideas. The final impression is of having come close to a fascinating subject, but not quite close enough – rather like one of Octavia's copies.

**Sarah Hemming**

**Continues at the Lyric Studio, London W6 (0181-741 2311) to Jan 20. Then on tour to Belfast, Bristol, Edinburgh and Stratford-upon-Avon.**

Opera in Lausanne/**Andrew Clark**

# Camped-up 'Comte Ory'

Opportunities to hear *Le comte Ory*, Rossini's sophisticated operatic comedy, are regrettably rare. You need a high tenor capable of traversing the vocal leaps with ease, a lyric soprano of wit and agility, and a conductor who understands the style. Small wonder it is usually encountered only at festivals.

So the Lausanne Opera's New Year production was doubly welcome. It introduced two singers of unmistakeable quality, both of them American. Jeffrey Francis, who sang the title role, has won plaudits elsewhere in baroque opera, for which his even, cultivated timbre and strong stage presence are ideally suited. Now he has proved himself equally adept at Rossini. Unlike most interpreters of this high-wire part, Francis never showed the slightest strain; there was no trace of passaggio in the voice, no falsetto. We heard singing of elegance and verve, an easy fluidity up and down the range, and a teasing way with the words.

And here is a tenor who can act. Francis knows how to camp it up in style, turning from ogling hermit-confessor to hairy-legged nun with the comic artlessness of the late Peter Sellers. Equally important, Francis is an ensemble player, as interesting to watch when not singing.

The object of his desire was Laura Claycomb's Countess Adèle. Claycomb's European debut as Bellini's Giulietta two seasons ago in Geneva signalled a *bel cantist* of immense promise. On the evidence of her Adèle, she is maturing well. Despite her clear, cool timbre, she conveyed warmth and fragility; she is too musical a singer to be a mere vocal machine.

With Diana Montague's gracious Isolier and Alessandro Corbelli's experienced Raimbaud, the cast was all one could wish for. So, too, were the Lausanne Chamber Orchestra's accompaniments under Evelino Pidò. It is not hard to see why Pidò has established himself as a leading Rossini interpreter. He generates a keen momentum while allowing the music to breathe, and shows how subtly Rossini embroidered the verbal jokes.

Perhaps it was too much to expect a staging of similar sensitivity. Denis Krief, an Italian pupil of Ponnelle, turned the performance into an A-to-Z of production tricks. The action, updated to the present, unfolded as a piece of pleasure-park entertainment, to which audience and chorus were introduced by Raimbaud in the guise of a magician. Ory snogged with "clients" inside a giant condom, dispensed wisdom from a psychiatrist's chair and consorted with go-go dancers. The stagework was polished and often funny, but it had more to do with an Italian variety show than the Gallic suggestiveness of Rossini's invention.

## INTERNATIONAL ARTS GUIDE

### ■ AMSTERDAM

**EXHIBITION**
**Stedelijk Museum**
Tel: 31-20-5732911
● Emmy Andriesse - fotografie: retrospective exhibition of work by the Dutch photographer Emmy Andriesse (1914-1953), particularly known for the photographs she made in Amsterdam in the winter of 1944-45. The display includes fashion photographs, portraits of artists, and photographs Andriesse made while travelling in Europe during the last project she worked on, which concerned the painter Vincent van Gogh; to Jan 14

### ■ BERLIN

**CONCERT**
**Philharmonie & Kammermusiksaal**
Tel: 49-30-254880
● Symphony No.5: by Bruckner. Performed by the Berliner Philharmonisches Orchester, conducted by Günter Wand; 8pm; Jan 12, 13, 14
**OPERA & OPERETTA**
**Deutsche Oper Berlin**
Tel: 49-30-3438401
● Die Zauberflöte: by Mozart. Conducted by Lawrence Foster and performed by the Deutsche Oper Berlin. Soloists include Amanda Halgrimson, Mariana Cioromila and Reinhard Hagen; 7.30pm; Jan 16

### ■ BOSTON

**EXHIBITION**
**Museum of Fine Arts**
Tel: 1-617-267-9300
● *Impressions of France: Monet, Renoir, Pissarro and their Rivals*: this exhibition of approximately 90 works examines the nature of French landscape painting compared with paintings shown in the Paris Salon in the latter part of the 19th century. The Impressionist component includes landscape paintings by Monet, Renoir, Gauguin, Sisley, Pissarro and Cézanne. The Salon is represented by such artists as Corot, Daubigny, Chintreuil and Boudin; to Jan 14

### ■ CHICAGO

**OPERA & OPERETTA**
**Civic Opera House & Civic Theatre**
Tel: 1-312-332-2244
● Don Giovanni: by Mozart. Conducted by Yakov Kreizberg and performed by the Lyric Opera of Chicago. Soloists include James Morris, Lucio Gallo, Luba Orgonasova, Frank Lopardo and Juliana Rambaldi; 7.30pm; Jan 13
**THEATRE**
**The Goodman Theatre**
Tel: 1-312-443-3822
● Black Star Line: by Charles Smith. The world premiere of this epic drama centering on the life and times of black leader Marcus Garvey. Tazewell Thompson directs a cast of 21, portraying twice as many characters including such historical figures as African American leader W.E.B. DuBois and black cosmetics magnate Madame C.J. Walker; Tue (Feb 6, 13), Wed, Thu, Sun 7.30pm, Fri, Sat 8pm, Thu (Jan 25, Feb 1, 8), Sat (Feb 3, 17), Sun 2pm, Mon (Jan 22) 7pm; from Jan 12 to Feb 17

### ■ DRESDEN

**OPERA & OPERETTA**
**Sächsische Staatsoper Dresden**
Tel: 49-351-49110
● Friedenstag: by R. Strauss. Conducted by Stefan Soltesz and performed by the Sächsische Staatsoper Dresden. Soloists include Hans-Joachim Ketelsen, Sabine Brohm, Luana DeVol, Andrea Ihle and Tom Martinsen; 7.30pm; Jan 16

### ■ HELSINKI

**OPERA & OPERETTA**
**Opera House** Tel: 358-0-403021
● Die Fledermaus: by J. Strauss. Conducted by Ari Angervo and performed by the Finnish National Opera. Soloists include Jukka Salminen, Ritva-Liisa Korhonen, Pekka Kähkönen and Eeva-Liisa Saarinen; 7pm; Jan 13, 16

### ■ HOUSTON

**EXHIBITION**
**The Menil Collection**
Tel: 1-713-525-9400
● Edward Kienholz: 1954 - 1962: the exhibition explores the early mature works of the American artist Edward Kienholz (1927 - 1994), as he made the transition from Abstract Expressionist painting to assemblage-based sculpture. The exhibition includes "Roxys", Kienholz's first full-scale tableau, created in 1960 - 61; to Jan 14

### ■ LEIPZIG

**OPERA & OPERETTA**
**Oper Leipzig** Tel: 49-341-1261261
● Carmen: by Bizet. Conducted by Jiri Kout and performed by the Oper Leipzig and the Gewandhausorchester. Soloists include Cornelia Helfricht, Hendrikje Wangemann, Ernesto Grisales and Tomas Möwes; 6pm; Jan 14

### ■ LONDON

**CONCERT**
**St John's, Smith Square**
Tel: 44-171-2221061
● David Goode: the organist performs works by Goehr, Grimley and Holloway; 6pm; Jan 12
**EXHIBITION**
**Dulwich Picture Gallery**
Tel: 44-181-6935254
● Death Passion and Politics: Van Dyck's Portraits of Venetia Stanley and George Digby: this exhibition explores the histories and themes surrounding the portraits "Venetia, Lady Digby on her Deathbed" and "George, Lord Digby, later the 2nd Earl of Bristol" by Van Dyck. The exhibition includes several other portraits by Van Dyck, Digby family correspondence and publications by Venetia's husband Sir Kenelm Digby; to Jan 14

### ■ MUNICH

**EXHIBITION**
**Villa Stuck** Tel: 49-89-4555510
● Loie Fuller. Getanzter Jugendstil: exhibition devoted to the American dancer Loie Fuller (1862 - 1928), who was one of the leading figures in the Paris of the fin de siècle and a source of inspiration for contemporary artists such as Rodin; to Jan 14

### ■ NEW YORK

**EXHIBITION**
**The Metropolitan Museum of Art**
Tel: 1-212-879-5500
● Hiroshi Sugimoto: exhibition of work from four series by this young Japanese photographer, including photographs of movie palace interiors and of the thousand Buddhas at the Sanjusangendo temple in Kyoto; to Jan 14

### ■ PARIS

**CONCERT**
**Salle Pleyel** Tel: 33-1 45 61 53 00
● Chantal Perrier-Layec: the harpsichord-player performs works by J.S. Bach; 8.30pm; Jan 13
**Théâtre des Champs-Elysées**
Tel: 33-1 49 52 50 50
● La Truite: cellist Pieter Wispelwey performs J.S. Bach's "Cello Suite No.1", violinist Philippe Graffin, cellist Torleif Thedéen and pianist Jeremy Menuhin perform Schubert's "Piano Trio No.2", and violinist Gérard Poulet, viola-player Vladimir Mendelssohn, cellist Frans Helmerson, double bass-player Wolfgang Güttler and pianist Jean-Louis Steuerman perform Schubert's "Piano Quintet in A major (Die Forelle)"; 8.30pm; Jan 13
**THEATRE**
**Comédie Française, Salle Richelieu** Tel: 33-1 40 15 00 15
● Le Misanthrope: by Molière. Directed by Simon Eine. The cast includes Alain Pralon, François Beaulieu, Dominique Constanza and Yves Gase; 8.30pm; Jan 13, 15, 17

### ■ STOCKHOLM

**DANCE**
**Kungliga Teatern - Royal Swedish Opera House** Tel: 46-8-7914300
● The Nutcracker: a choregraphy by Jens Rosén to music by Tchaikovsky, performed by the Royal Swedish Ballet. Soloists include Nathalie Perriraz, Eva Nissen and Christian Rambe; 6pm; Jan 13

### ■ STUTTGART

**OPERA & OPERETTA**
**Staatstheater Stuttgart**
Tel: 49-711-20320
● Die Zauberflöte: by Mozart. Conducted by Janos Kulka and performed by the Oper Stuttgart; 7pm; Jan 14

### ■ VIENNA

**OPERA & OPERETTA**
**Burgtheater** Tel: 43-1-514442960
● Die Dreigroschenoper: by Weill. Conducted by Peter Keuschnig and directed by Paulus Manker; 7pm; Jan 12, 13

### ■ WASHINGTON

**OPERA & OPERETTA**
**Eisenhower Theater**
Tel: 1-202-467 4600
● Il Barbiere di Siviglia: by Rossini. Conducted by Heinz Fricke and performed by the Washington Opera; 7.30pm; Jan 12, 15

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Peter Martin

# Squeezing out the profits

## The turnround of a US company from near-bankruptcy into potentially the world's biggest packaging group illustrates how to make money from a mature market

This is a story about the ultimate mature market: tin cans, among the earliest mass-produced objects still in daily use. How do you make money from a market so mature, where the product is universally seen as a commodity?

The answer is vividly illustrated by the takeover bid, now at last under way, by Crown Cork & Seal of the US for Carnaud MetalBox (CMB), the Franco-British company.

Crown, which gets its name from its original product, the "crown" bottle cap, probably knows more about squeezing profit out of mature markets than any other company in the world. In 1957 it was nearly bankrupt. Now, if the CMB deal goes through, it becomes the world's biggest packaging company, with sales of more than $10bn a year.

The story of its turnround is one of the Harvard Business School's most celebrated case studies. The hero is John Connelly, son of a Philadelphia blacksmith, who pushed his way on to the Crown board in November 1956 and became president a few months later after the bank threatened to pull the company's loan.

Connelly, a man of boundless energy, was astonished at what he had inherited. Senior executives spent their time wining and dining each other at country clubs. At one plant, he found workers playing cards, sleeping or building a bar for their boss. At another, a Fortune article of the time describes him sitting through a litany of complaints about unreasonable clients. "He hadn't known what to make of Crown, he said, but now he knew it was something truly unique in his business life – a company where the customer was always wrong."

Over the next 30 years, Connelly cut costs, invested heavily in the company's areas of strength, and instilled an attitude of intense customer service. Rival can-makers, disheartened by the industry's brutal price competition, sold him their operations on the cheap. He bought back shares whenever possible. And he kept on cutting costs. Overheads were a particular target. Selling and administrative expenses fell from 12 per cent of sales in 1956 to an astonishingly low 2.8 per cent in 1990.

That was the year Connelly died, still chairman at the age of 85. His homegrown successor, William Avery, inherited Connelly's parsimony, but not his aversion to debt. Since 1990, he has stepped up the pace of acquisitions; the CMB deal is the biggest yet.

Both Crown and CMB are themselves the result of a string of previous mergers. So one answer to the question of how to profit in a mature market is to merge in search of scale. But mergers often create more problems than they solve: for example, the merger that created CMB, between France's Carnaud and Britain's Metal Box, initially produced a state of internal warfare. In industry after industry, scale has proved an amplifier: it can enhance the impact of successful policies, but also magnify the weaknesses of poor management, turning two mediocre companies into a single disaster.

So what are the successful mature-market policies that Crown has been able to amplify by the judicious search for scale? Seen from the outside, there are three.

First, to avoid radical diversification. Few industries have diversified as dismally as the can-makers. They started decades ago: one of Connelly's first acts at Crown was to cancel an unsuccessful move into ice-cube trays. But that was a modest move compared with Crown's three much bigger rivals, American Can, National Can and Continental Can – none of which remains in the can-making business.

After flirting with paper cups, dress patterns, chemicals and other types of packaging, American Can diversified into financial services, under the inspiration of former 1960s whizz-kid Mr Gerry Tsai. It changed its name to Primerica, and sold its can lines in 1986 to Nelson Peltz and Peter May. They already owned National Can, which had never quite recovered from an unsuccessful foray into pet foods and vegetable canning. Peltz and May sold the combined group to France's Péchiney, which still owns it.

Continental diversified into forest products, then sold out to a construction and mining group, which passed on the business to Crown. Its name survives today because it was bought (along with a few former Continental assets) by a company formerly known as Viatech.

This frenzy of deal-making makes Crown's steadiness of purpose the more striking. It has widened out its activities geographically – the CMB deal is just the latest step in a process that led to more than half the company's operating profits coming from outside the US by the time of Connelly's death. And it has diversified cautiously within the packaging business, first into aluminium cans and now into plastic containers, in which it sees its future growth. But it has remained entirely committed to its basic businesses, and has continued to invest in them.

The second policy dates back to Connelly's disastrous initial plant tour. Ever since, Crown has placed a big emphasis on customer service. Cans are probably the original just-in-time component: customers hate stockpiling them but may find their needs drastically affected by changes in the weather or the harvest. So Crown has competed partly by its readiness to meet sudden surges in customers' demand.

As well as meeting customers' needs, however, Crown must also make money out of the relationship – hence the search for scale. Traditionally, the canning business was squeezed between big, oligopolistic suppliers of steel and aluminium and a handful of giant penny-pinching customers, the global food and beverage processors. All the customer service in the world could do little to prevent the squeeze on margins.

After the CMB merger, says William Avery, "we are now large enough that we match in size our suppliers and our customers". That should provide both the ability to offer customers a more truly worldwide service – and the opportunity to drive a better deal while doing so.

Still, margins on packaging are always likely to remain tight. Which means that the third Crown policy – relentless focus on costs – is as relevant as ever. "We have to take the fat out of CMB," Mr Avery told the FT's Andrew Jack this week. "We want to concentrate on what our customers want, not our employees." He expects to see a one percentage-point drop each year in the ratio of CMB's selling and administrative costs to sales, to bring them closer to Crown's 2.8 per cent from their present 9 per cent. His target for the next few years is to get them to between 5 per cent and 5½ per cent.

There is one other ingredient in the Crown story that is relevant to all companies operating in mature markets: strong leadership, keeping managers and workers enthused and energetic in a struggle which must sometimes seem unglamorous and unrewarding. Otherwise, it is easy to slip into pointless diversification, slack customer service and a resigned acceptance of decline.

A story told about Connelly, recounted by Fortune in 1962, illustrates the way one man's example can set the standard for a whole corporation: "An associate recalls driving to his home in the predawn blackness to pick him up for a flight to a distant plant. The Connelly house was dark, but he spotted a figure sitting on the curb under a street light, engrossed in a loose-leaf book. Connelly's greeting, as he jumped into the car: 'I want to talk to you about last month's variances.'"

FIRST WORLD, THIRD WORLD By William Ryrie
St Martin's Press, $39.95

# Weed that can strangle economic growth

As senior economist in the World Bank's India Division 20 years ago, I asked an official responsible for granting industrial licences whether he would respond favourably to a proposal for a new investment which would undercut existing producers. He responded with astonishment at the idea that the ability to produce a product more cheaply could justify additional capacity in what the authorities deemed to be a saturated market.

Given such attitudes, it is hardly surprising that India failed to raise overall manufacturing productivity during its decades of controls on industrial capacity. More surprising was the World Bank's support for a country with policies that were so perverse. Some of what the bank was doing in India was beneficial. But its most significant impact, I concluded, was to help sustain indefensible policies.

On the basis of far richer experience, Sir William Ryrie, a former mandarin in the UK Treasury, permanent secretary of the Overseas Development Administration and head of the International Finance Corporation, the private-sector affiliate of the World Bank, has reached similar conclusions. In this admirably clear and trenchant book, he argues that "the aid movement has lost its way".

"The moral and political arguments for supporting aid aimed at development in the third world are," states Sir William, "sound and valid, subject to one overriding consideration. Everything depends on whether we can honestly believe that aid can and will produce successful results in practice. The difficult questions about the international development effort are not, in my view, about issues of principle, but about practicability."

Unfortunately, many of the flowers fertilised by aid have turned into weeds. In 1960, for example, Ghana's income per head was higher than Korea's: by 1990 it was a 15th of the Korean level. Aid was not the difference between these two countries; policies were.

Economies founder when governments attempt too much. Unfortunately, aid encouraged governments to do just that. This was partly because many of those involved were interventionists, but also "because aid activity consisted of transferring resources to governments for use by governments".

Sir William argues that the impact of aid in many cases has been positively harmful. It has financed inefficient public enterprises, strengthened the position of corrupt rulers and pauperised countries.

His recommendations are as forthright as his analysis. Most important, the "basic test of development success must be economic growth", because "if poverty is to be attacked successfully, the economy as a whole must grow". Moreover, since only a dynamic market economy can produce the desired result, the main challenge to aid donors is to put poor countries on the path of rapid market-led development.

Sir William argues for two principal criteria in allocating official aid:

- It should be used only for investments which the private sector (domestic or foreign) will not undertake, or where there are compelling reasons of public interest why they should be undertaken by the state and not the private sector.
- It should finance only priority investments (and not recurrent expenditures) which are likely to earn a high rate of return for the country.

As is to be expected of someone who headed the IFC for almost a decade, Sir William believes international institutions can help promote private enterprise. He stresses, in particular, support for capital markets, small business and large-scale private investments in infrastructure. He notes, however, that aid has too often thwarted private investment by financing inefficient public-sector alternatives.

Where would such a reconsideration leave the World Bank, the colossus of development agencies? This is the question now facing Mr Jim Wolfensohn, its president since last summer. The World Bank, argues Sir William, is overstaffed, inward-looking and overly academic. But it is also too often unfairly criticised "by people for whom the size and power of the World Bank is a natural object of hostility".

Mr Wolfensohn's task "is to adapt the institution to the . . . changing world of the market economy". In this world private capital markets play a much larger role and the bank's role must be different and smaller. His challenge "is to wean the institution away from . . . habits which are at odds with the market philosophy; to make it acknowledge failure where there has been failure; . . . and adopt a humbler, more self-questioning attitude to the whole business of international aid".

If aid is to survive, it must indeed be rethought. The World Bank should, for example, forget the notion that the amounts of money it transfers is any indicator of its development impact. Aid should never be provided to countries that are reluctant to accept private investment or run economically damaging policy regimes. It should instead be concentrated on those projects and countries where it can make a substantial difference. But aid should not be allowed to become a government's preponderant source of funds for an indefinite period.

Sir William is to be congratulated for writing this wise and important book. It deserves careful attention from all those interested in the aid business.

Martin Wolf



# LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'). e.mail: letters.editor@ft.com Translation may be available for letters written in the main international languages.

## Public pressure needed for EU landmines ban

*From Mr Jan-Willem Bertens MEP.*

Sir, Your article on landmines, "The 'perfect defensive soldiers' who refuse to stop killing" (January 6/7), conveys very well the vast scope of the problem caused by mines and the relative uselessness of mine-clearing efforts when so many more new mines are laid each year.

Your writer refers to the idea of banning landmines as utopian. To have as at least a longer-term aim the complete prohibition of anti-personnel mines (though not necessarily anti-tank mines) is the only way forward. The European parliament endorsed this aim, virtually unanimously, last June.

Moreover, although international agreement must be sought, we do not have to wait for it. Belgium has already decreed a total ban on APMs, France a partial one. If all other member states of the European Union followed Belgium's lead, it would be a very significant step forward.

What we need now is massive pressure from public opinion throughout Europe to ensure that all our governments renounce this barbaric and quite unnecessary method of warfare. Your article will help. By the way, the one success of the UN review conference so far has been to adopt a protocol banning laser weapons designed to blind.

Jan-Willem Bertens,
foreign affairs committee rapporteur on landmines,
European parliament,
Brussels, Belgium

## Contributors to fashion

*From Mr Richard Denyer.*

Sir, Although I agree with some of the conclusions of your editorial "Dressing down in the City" (January 4), I have to say that its premise is wholly flawed. To assert that "fashion is essentially parasitic" is to ignore, among other factors, the contribution of science, technology, market analysis and aesthetic design to the development of natural and manufactured fibres, yarns, fabrics and garments.

Without the significant creative contributions of Textile Institute members, few of the choices you refer to would be possible. Most of this century's advances in comfort, fit, colour, style and aftercare have been achieved only by teamwork between highly skilled professionals. British people have often been pioneers in this, by the way.

Richard Denyer,
general secretary & chief executive,
The Textile Institute,
10 Blackfriars Street,
Manchester M3 5DR, UK

## Keeping an eye on the papers

*From Mr Andrew Thompson.*

Sir, Christopher Dunkley's claim ("Why jokes are not criticism enough", January 10) that *What the Papers Say* represents television's sole attempt to monitor the press suggests that he turns on his set far too late in the day.

Every weekday morning BBC1's Breakfast News includes a high quality review of that day's papers. Its regular reviewers include Sir Bernard Ingham, Matthew Parris, Frances Edmonds and Michael White. They offer a daily dose of trenchant and witty criticism.

And Dunkley need not go hungry on a Sunday either, when *Breakfast With Frost* always includes a substantial paper review.

While understanding his sadness at the diminution of *What the Papers Say*, Mr Dunkley and the public should be assured that the BBC's Breakfast programmes keep a very close eye on newspapers.

Andrew Thompson,
deputy editor, news and current affairs,
BBC,
Television Centre,
Wood Lane, London W12, UK

## Civil servants in UK as non-executive directors

*From Mr Roger Freeman MP.*

Sir, I was surprised to see from your leader "Bad batting" (January 10) that the Financial Times was putting itself in the forefront of a campaign against civil servants being able to hold non-executive directorships as part of senior management development.

As you say, the holding of non-executive directorships – of which there are now about 60 – is just one of a number of "interchange" programmes of secondments, attachments and joint training which have been developed over the years. But it is an important and highly valued one, undertaken with the support of the Confederation of British Industry and a range of leading companies.

You yourself have written favourably about just this scheme in the past (most recently in July 1994) and interchange arrangements have actually been supported by successive administrations going back to the 1970s.

There is no confusion in the minds of any of those undertaking these duties about what their obligations are to their employer or to the companies public-spirited enough to give them the opportunity to learn and to contribute. Clear guidelines are laid down that any conflict of interest must be avoided. Civil servants take no payment from their directorships, and gain a great deal from the time they make available to spend on such duties.

Surely you are accidentally guilty of double standards here? On the one hand, you urge greater understanding within Whitehall and the civil service of the issues and challenges faced by the private sector and the community more generally.

On the other hand you deride one of the more successful programmes to deliver such understanding. I hope you will think again.

Roger Freeman,
minister for public service,
Cabinet Office,
Whitehall,
London SW1A 2AS, UK

## Incomprehensible UK tax laws need simplifying

*From Prof D.R. Myddelton.*

Sir, For the third year running the Finance Bill contains about 400 pages to add to the huge mass of incomprehensible verbiage that constitutes tax law in the UK. Do those responsible not realise the need for fewer and simpler rules, or are they merely incompetent?

In 1955 the Royal Commission on taxation said: "Two factors dominate every approach to suggested improvements to the system of taxation: one is its weight and the other is its complexity." It seems evident that the weight of Britain's tax system largely causes its complexity.

In 1979 the Conservative party's election manifesto said: "Taxes take too large a share of national income; their share must be steadily reduced." Taxes then took about 45 per cent of the national income and they take the same proportion today. Net reduction in 17 years: zero.

The Institute for Fiscal Studies recently set up a tax law review committee. But its terms of reference did not enable it to deal with tax policy issues, so its interim report was a waste of time.

It is sometimes argued that "ignorance of the law is no excuse". Yet in matters of taxation, knowledge of the law would be a miracle. This state of affairs is surely intolerable.

The British government has a duty to enact tax laws that a full-time expert has at least a sporting chance of grasping. It is a sad commentary on modern governments that nobody in their senses expects this to happen.

D.R. Myddelton,
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Thursday January 11 1996

# Let Airbus fly free

Reversals of fortune can be brutally swift in commercial aircraft manufacturing. A year ago, the European Airbus consortium was rejoicing at having won more annual orders than Boeing for the first time, while the US company was beset with job cuts and falling profits. Today it is Boeing which is flying high. It captured about two thirds of world orders last year and has outstripped its European rival particularly strongly in buoyant Asian markets.

The success of Boeing's newly launched 777 model, the unique and enduring appeal of its 747 jumbo jet and the weak dollar have all contributed to the company's recovery. However, the Airbus consortium should not view its recent setbacks simply as a short-term problem, which reflects transient advantages enjoyed by its US competitor. If Airbus is to prosper, it needs to grasp this opportunity to tackle deep-rooted weaknesses in its own operations.

Since the European consortium was formed 25 years ago, it has established an impressive record of producing technologically innovative aircraft, closely matched to world demand. However, it is severely handicapped by an ungainly commercial structure, which rewards inefficiency and frustrates sound management.

As a *groupement d'intérêt économique*, a form of French organisation popular among small businesses, Airbus is not obliged to keep proper accounts. Management is split between the consortium and its four industrial partners. While the former mainly handles marketing, production is shared between Aérospatiale of France, British Aerospace, Dasa of Germany and Casa of Spain. The result has been to complicate decisions, thwart scale economies and encourage each company to maximise its share of contracting and profit, at the expense of the venture's overall interests.

Proposals to modernise Airbus' corporate structure have been discussed for a decade, without result. The idea has recently returned to favour, spurred by fiercer competition and growing pressures for consolidation in the aerospace industry. Yet it is unclear that what needs to be done is yet fully recognised.

Turning the consortium into a company would be a cosmetic exercise, without other, radical, changes. To be internationally competitive, Airbus needs drastically to cut its production costs. Only BAe has so far attacked the problem successfully. Heavy losses have recently compelled Dasa to restructure, though it may still not have done enough. The state-owned Aérospatiale has yet to face up to the challenge.

Furthermore, Airbus needs a strong independent management which controls the entire business, from design to sales. Getting the structure right will involve politically sensitive decisions about the assignment of industrial assets now owned by the partners. Above all, it will require a much clearer distinction between shareholders and contractors. Confusing the two roles has been one of the venture's fatal weaknesses. An effective Airbus management must be able to award contracts to the most competitive suppliers, and not be bound to favour its shareholders.

Longer term, European aerospace companies must be prepared to see their equity stakes in Airbus fall. Developing new products requires large sums of outside capital, which international trade rules prohibit European governments from providing any longer - even if they could afford to. Private investors are unlikely to oblige if they suspect Airbus is still controlled by and for the benefit of its traditional shareholders.

Changing such attitudes will not come easily. But it is unavoidable if Airbus' future is to be secured. Europe has too much invested in the project to allow it to to be held hostage to narrow self-interest and inertia among its national shareholder-contractors.

# Bids and bosses

The British system of corporate governance is often criticised for overdependence on hostile takeovers to remove underperforming management. Yet for once, in the case of the Granada bid for Forte, it appears to quite good advantage. Forte, unlike some targets of predatory attention, has underperformed. The nature of the battle is such that shareholders are being offered a genuine choice between two clearly differentiated sets of strategies and managers. Whoever wins, Forte will emerge a better managed company for the experience.

That said, the process involves huge transaction costs payable to City institutions and advisers. There is the possibility that the bidder, in this as in other cases, may ultimately be found to have overpaid. And there is the risk that the substantial borrowings raised to finance the bid could leave the balance sheet overstretched if the disposal of assets proves more difficult than cheerfully predicted at the height of the battle. Forte, moreover, is an unusually suitable case for takeover treatment, in that its relatively untechnical business is comprehensible to the average fund manager.

The case for the alternative way could be glimpsed yesterday at J.Sainsbury, which has been criticised for poor recent share price performance and for leaving Mr David Sainsbury in the role of both chairman and chief executive. Pressure from institutional shareholders almost certainly contributed to the top management reshuffle unveiled by the big food retailer. In many, perhaps most, cases that is surely a more cost effective way to bring about managerial change.

Unfortunately systematic evidence does not exist in the UK to demonstrate the results that can be achieved by pressure from investment institutions. But the US has increasingly compelling data on this score. Successive studies commissioned by the California Public Employees' Retirement System (Calpers), which controls nearly $100bn of assets, have established that the return from Calpers' corporate gingering is very worthwhile.

A wider recent survey by the US Council of Institutional Investors, which speaks for pension funds with $800bn under management, found that its efforts to co-ordinate shareholder activism at 97 underperforming companies had yielded significant benefits, measured by a variety of performance yardsticks. There is, of course, more than one way to skin a cat. But if prevention as opposed to cure is the most cost-effective way, that should surely be the institutional owners' first choice.

# Goodbye Tel

If there were shares in England Football plc. they would probably trade lower today. Mr Terry Venables' short reign as coach of the national football team may not feature in future editions of management textbooks, but it is a case study of how not to hire a manager. The episode casts doubt on the judgment of the board, otherwise known as the Football Association, while his departure does nothing to cure underlying problems of the game.

Yesterday, Mr Venables announced he would quit his job after this summer's Euro 96 tournament. He has been dogged by allegations about his business affairs, before and after starting the job in January 1994. He has said he is determined to clear his name, but has told the FA that time-consuming legal battles later this year could interfere with England's efforts to reach the finals of the 1998 World Cup.

The FA could not have predicted that such allegations would persist, nor can it foresee the outcome. But it was aware of many of them when it chose him, and said that it wanted him for his skills as a coach not as a businessman. Having taken that stand, it should have backed him more vigorously. In a break from custom, his contract did not run through to the next World Cup. Since then, some members of the FA's International Committee have appeared uncertain about extending his contract. The first lesson of this affair is that top managers need overt support if their appointment is to stand a chance of success.

Second, no-one is indispensable. Mr Venables was not "the only man for the job" as many suggested at the time. If the FA had as many misgivings as it now seems, it should have picked someone else. There are always alternatives.

Third, it is unrealistic to make heroes of troubleshooters, only to disparage them when they disappoint. Mr Venables has been moderately successful, but has not transformed English football as many hoped. That is not entirely his fault, given the players currently available. After his departure, that problem will remain.

# Smog clears over carmakers

## The withdrawal of a deadline for selling non-polluting vehicles in California has cheered the car industry, writes **Haig Simonian**

The bosses of America's car companies had good reason to be cheerful when they opened the Detroit Motor Show last week. Days before the gala opening, California's environmental legislators had watered down plans to force carmakers to increase sales of non-polluting vehicles by 1998.

Billions of dollars have been spent on developing vehicles using alternative fuels to petrol and diesel. But the industry is still a long way from being ready to market replacements for conventional cars that will appeal to environmentally minded motorists.

"We have been making the point for a long time that the industry is not ready to supply customers with a vehicle at a price they are prepared to pay," says Mr Alex Trotman, chairman of Ford, the second largest carmaker.

California has been at the forefront of efforts to clean up car emissions for three decades. It was a leader in applying exacting exhaust pollution standards in the 1960s. A decade later, new state legislation forced the development of catalytic converters on exhausts, now standard equipment around the world.

Rules drafted by the California Air Resources Board would have required the seven biggest carmakers to meet targets for selling non-polluting vehicles in the state. The first target was set for 1998, when 2 per cent of sales (equivalent to about 20,000 cars) would have to be "zero emission" vehicles; thereafter, this would rise to 5 per cent in 2001 and 10 per cent in 2003. A similar approach has been taken by 13 other states in the north-east and mid-Atlantic regions, which have adopted all or part of the Californian rules.

The decision to suspend the programme – which these other states are likely to follow – came after a long, expensive battle by the car and oil industries to have the rules amended. They argued the rules were unrealistic and counter-productive.

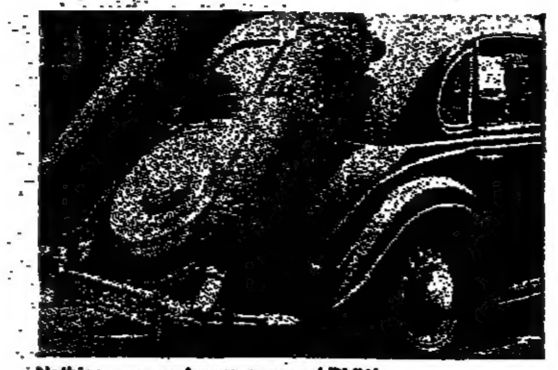
US carmakers are well-advanced on developing cleaner alternatives to the petrol engine such as natural gas. Several are marketing vehicles powered by compressed natural gas, for example, with Chrysler, the biggest maker of such vehicles, expecting to sell 4,000 units this year.

But the only vehicles with zero emissions are powered by electricity – and the size of batteries using existing technologies is such that electric cars would be shunned by all but ardent environmentalists.

Last week, General Motors, the world's biggest car company, announced that it would begin selling the EV1 electric car in four western US cities from late next year. The EV1, under development since 1990, can accelerate to 60mph in 8.5 seconds and reach 80mph. But although it uses advanced electric car technology, it can seat only two people and travel a maximum 70 miles in towns. The average US commuter travels 44 miles daily.

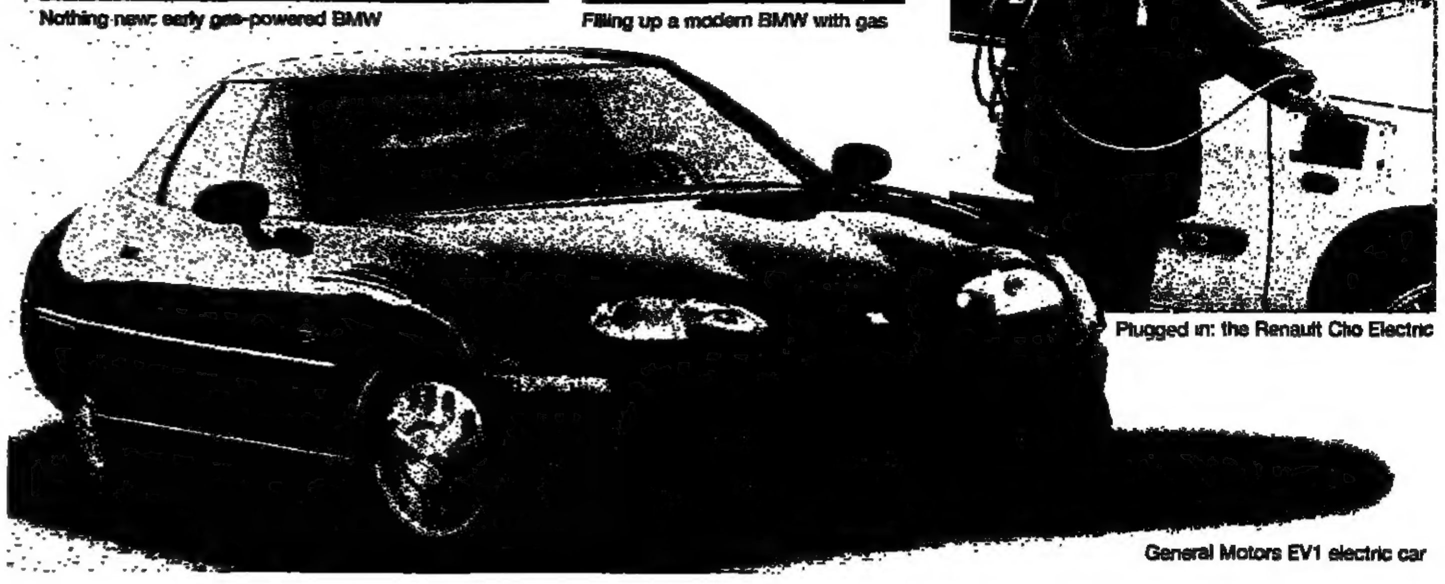
Mr Jack Smith, chairman of GM, argues that car companies want to remain at the forefront of research, rather than be forced into it by legislation. Insisting on zero emission standards could damage the image of cleaner alternatives to the petrol engine.

Of the alternative fuels, compressed natural gas (CNG) is the most promising. It produces a fraction of the carbon monoxide and nitrous oxides of conventional cars, has a high energy content for its weight, and is readily available in the main population centres where natural gas is a domestic and industrial fuel.


Nothing new: early gas-powered BMW


Filling up a modern BMW with gas


Plugged in: the Renault Clio Electric


General Motors EV1 electric car

**US carmakers' sales of vehicles using alternative fuels**

| Fuel | 1992 | 1993 | 1994 | 1995 |
|---|---|---|---|---|
| **Methanol** | | | | |
| General Motors | 1,250 | 180 | – | – |
| Ford | – | 2,500 | 2,500 | 2,500 |
| Chrysler | – | 8,588 | 4,570 | 832 |
| **Ethanol** | | | | |
| General Motors | 50 | 320 | – | – |
| **Compressed natural gas** | | | | |
| General Motors | 2,100 | 2,000 | – | – |
| Ford | – | – | – | 100 |
| Chrysler | 648 | 445 | 1,620 | 910 |
| **Liquefied petroleum gas** | | | | |
| Ford | – | 600 | 700 | 2,500 |

Source: companies

US sales of such vehicles have been boosted by gas utilities, which have snapped up the limited numbers of gas-powered pick-ups and vans built by the big three US carmakers. Demand has been strongest in areas such as the south-west and California, where gas reserves are abundant, and in big north-eastern cities such as Boston and New York, where the fuel is readily available.

However, CNG-powered cars have a much shorter range than petrol-engined vehicles. They are also less powerful, because the energy content of gas is lower than that of petrol or diesel fuel.

And vehicles powered by gas cost more than those with petrol engines because they need a much stronger fuel tank, and are currently made in small numbers, losing the economies of scale available for conventional vehicles. Chrysler will charge $5,000 extra for the gas-powered version of its latest minivan which goes on sale in April.

BMW of Germany became the first European carmaker to offer a vehicle powered by natural gas as a standard product with the launch of two models – the 318g and 518g – in December. The vehicles are aimed at high-mileage urban users such as courier companies and taxis, which are likely to find that the additional cost – they cost DM7,000 ($4,860) more than their petrol-engined equivalents – is outweighed by the lower fuel costs.

The main drawback to the wider use of compressed natural gas is the need to build a retail distribution network for the fuel. New refuelling points are expensive, with the high technology compressor adding $20,000 to the $30,000 cost of building a commercial refuelling unit, according to Mr Douglas Teague, an engineer in Chrysler's powertrain planning division.

Liquid alternatives to petrol and diesel such as ethanol and methanol can be supplied using equipment similar to a normal petrol pump, meaning consumers should take to them more readily than some alternatives.

Methanol is an attractive option in Californian cities such as Los Angeles, since its exhaust fumes cause much less smog than most fuels. Its drawback is that it is corrosive and conducts electricity, dangerous in accidents. Initial enthusiasm for the fuel in the early 1990s has petered out, with about 1,800 vehicles still in use in California.

Ethanol is also relatively clean, and has gained support from environmentalists because it can be made from renewable natural sources such as crops, cellulose or even agricultural waste. But its usefulness is restricted by the lack of any infrastructure to make or deliver it to the motorist. The strongest political support for ethanol comes from midwestern agricultural states, which have seen a potential new outlet for their big corn crops.

For the moment, the most readily available alternative fuel is liquefied petroleum gas (LPG), a by-product of oil refining which powers around 1m vehicles worldwide. Its main advantage is that it has a relatively high energy content while being appreciably cheaper than petrol or diesel in most countries. But while offering acceptable pollution levels, it is seen as an unsatisfactory compromise which offers less of a reduction in emissions than other alternatives. LPG "is not stellar in any one respect", notes Mr Teague.

The wider use of electric cars looks likely to await developments in battery technology, to replace the bulky lead-acid batteries of today.

"The ideal battery would be very small, weigh little, store huge amounts of power, deliver it all instantly and be quickly and fully rechargeable," says Mr Gerald Barnes, an engineer at General Motors. "It must also retain its rechargeability without degrading, be reasonably cheap and remain safe in an accident."

Even recent variants such as lithium, nickel-metal hydride or sodium sulphur (being used by Ford in its EcoStar van) hold just a fraction of the energy in an equivalent weight of petrol or diesel.

Despite this, electric vehicles have become popular in some European countries, including France where there is strong state support for them. Buyers of electric cars qualify for a FFr15,000 ($3,020) government grant to reduce the additional cost over conventionally powered vehicles. France has also been operating the world's biggest trial programme for electric cars, involving Peugeot-Citröen, in La Rochelle. Next year, a new experiment, called Tulip, will test demand in Tours for specially designed urban electric cars, which can be rented and returned after short periods, much like taxis.

Sweden is also experimenting with electric cars, for use by municipal organisations and other urban agencies. In November, Newtek, a Swedish state agency testing the new technology, ordered 150 Clio *electriques* from Renault of France. The order is expected to be increased soon to 500.

Political backing in France is influenced by the relative abundance of cheap, nuclear-generated power. Even California's embrace of the electric car has been tinged by the fact that most locally generated electricity comes from relatively clean natural gas plants, rather than dirtier fossil fuels. Cynics say the only zero-emission electric vehicle is one whose electricity is generated over the state border in New Mexico.

Although the California air resources board has suspended its 1998 deadline, it remains committed to imposing targets for the number of zero-emission vehicles. And it has wrung a promise from the motor industry to sell about 2,000 electric vehicles in Los Angeles and Sacramento, which have the worst smog records, between 1998 and 2000.

But the dominance of petrol and diesel is unlikely to be challenged until new fuels, such as hydrogen, move from the test bench to the test track, or batteries become lighter and more powerful. Meanwhile, carmakers can continue to produce limited numbers of vehicles powered by alternative fuels, secure in the knowledge that their main business can roll on unchallenged.

# OBSERVER

## What's bugging us

■ Boris Yeltsin's image in the democracy stakes took another tumble yesterday with the nomination of Vyacheslav Trubnikov as Russia's chief spymaster. Nothing wrong with the appointment itself, mind. Trubnikov appears to be an identikit Russian spook, who worked as a journalist in India and as an apparatchik back in Moscow headquarters.

It was Yeltsin's accompanying comments which were, well, a mite spooky. "No leaders visited the Foreign Intelligence Service before me", boasted Yeltsin. "I was one of its frequent visitors. I watched Trubnikov and noted he is a highly-skilled professional with a high authority among intelligence staffers."

The thought of Boris regularly hob-nobbing with Russia's revamped KGB could make Washington's foreign policy community pretty jittery. Still, they should be able to bone up on Boris's visits first-hand, now that Trubnikov's predecessor, Yevgeny Primakov has become foreign minister.

## Last laugh?

■ Time to dust off your CVs, guys. Walter Thiele, 75, an elderly German millionaire, has advertised for a man to look after his beautiful 28-year-old wife and his fortune when he dies.

Thiele, whose off-beat inventions made him rich, boasted to Wednesday's Cologne-based Express tabloid that he had received hundreds of responses to his classified adverts.

"She loves me and I love her, but naturally we think about the time after my death," he said.

"We decided to search together for a man who will get my inheritance."

Walter said he and his wife, Renate, would decide on the right man after face-to-face meetings with the best applicants.

Thiele is reputed to have made his fortune selling over 120 million battery-operated laughing machines worldwide.

However, his nickname – "The Laughing Bag Millionaire" – suggests that his latest offer may just be another one of his crazy inventions.

## Free to deal

■ Is there life after Morgan Stanley? Bob Greenhill, the man with the brightest braces on Wall Street, is the latest ex-Morgan Stanley man to find life tough going. He has just quit as chairman of Smith Barney to set up his own investment banking boutique.

The deal-maker who spent 30 years at Morgan Stanley was given the job of turning Smith Barney into a similar banking powerhouse. However, Greenhill was never one for admin and his prowess as a deal-doer was not matched by his abilities as a manager. When he was president of Morgan Stanley he was not able to prevent serious ructions and turf wars between staff.

He joined Smith Barney in July 1993 and with the help of a number of his old Morgan Stanley colleagues spent his time on the road – and the golf course – seeking the big deals. Early successes, such as acting for Viacom in a couple of large acquisitions, did not continue.

Last year a number of the bankers from Morgan Stanley tried to return to their old firm but were rebuffed. But Greenhill has set his heart on running his own shop. Who knows, he may be as big a hit as his old Morgan Stanley chum, Eric Gleacher, who sold his five year-old firm to NatWest for $135m in October.

But at 59, time is not on Greenhill's side.

## Theo-sophy?

Germany's finance minister Theo Waigel has not exactly been top of the pops in Italy since he dared suggest that his southern cousins were unlikely to qualify for monetary union first time around. Imagine the glee when it emerged this week that the guardian of European financial probity had himself been pipped at the post and failed to meet Emu criteria last year.

"Jesus Christ is dead, Karl Marx is dead and even Germany doesn't feel very well", the Corriere della Sera chortled yesterday.

"Theo Waigel isn't Woody Allen", it went on, "but even he, the immaculate unyielding silversmith of the richest country in Europe, has to admit the inadmissible: If monetary union were to happen today, not even the Federal Republic, mother of all economic virtue, would find itself up to scratch on some criteria..."

Prime minister Lamberto Dini confined himself to a laconic observation to the effect that: "Waigel also said that Germany would make (the Emu criteria) in 1996."

## Wrong number

■ A prisoner who escaped from a Californian jail was caught by police after he dialled the wrong number.

Maliu Mafua, 27, escaped last Friday but was caught one day later when he dialled 911 for emergency services instead of 411 for assistance.

Officers responding to the call knew something was awry when they saw Mafua wearing a shirt that read "Property of the San Mateo County Jail".

The Financial Times

## 100 years ago

**Proscribed in Turkey**
Once more we have sorrowfully to admit that this journal is proscribed and "interdit" in Turkey. The number of the Financial Times which was thus distinguished by the Ottoman authorities was that embracing the review of the year. Apparently the lengthy statement of facts therein contained was too much for the equanimity of the Sublime Porte, and thus for the second time our subscribers in Turkey are cut off from civilisation and the London Stock Exchange prices.

## 50 years ago

**Plan for Malayan tin**
In order that supplies of tin may be made available in this country [Britain] as soon as possible, the Colonial Office is preparing a plan to ensure that the machinery and plant of those Malayan tin mines least damaged during the Japanese occupation is given first priority for replacement and repair purposes. Companies whose equipment is more severely damaged will have to wait until the more easily-repaired plants are in operation.

FINANCIAL TIMES
Thursday January 11 1996



Concern over livestock producers' rising costs

# EU imposes tax to curb surge in barley exports

By Deborah Hargreaves in London

The European Union will today impose an export tax on barley in an effort to restrict shipments, amid mounting concern over the amount of European barley being sent to the world market.

Six weeks ago, the EU imposed a tax on wheat exports which has effectively stifled trade and led to a sharp rise in wheat prices. The move has been severely criticised by many EU grain farmers and the US government.

Barley is used mainly for animal feed and malt, but poor harvests last year in the main producing countries have led to a tightening in supply, which has pushed up prices. World barley prices have doubled over the past year to $210 a tonne.

The European Commission will operate a tendering system for barley sales similar to the one in place for wheat, but it will accept only shipments which agree to pay a levy of more than Ecu15 ($19) a tonne. This gives it more control over the market so that it can halt exports if they are running too high.

Mr Franz Fischler, the agriculture commissioner, is concerned that livestock producers, which face increases in feed costs of around 10 per cent this year, are paying the price for buoyant world grain markets.

Commodities..........Page 17

Estimates by the National Farmers' Union in England and Wales put extra feed costs at £50m ($77m) a year for pig and poultry producers.

EU barley exports for the last marketing year, which ran from July 1994 to June 1995, were approximately 6m tonnes, but in the past six months, the EU has already exported 4.7m tonnes.

The Commission says it must try to ensure more stable prices for grains.

The new system requires exporters to tender for how much grain they plan to ship and how much levy they can afford to pay. The Commission can then select which shipments to sanction.

Germany is the largest barley producer in the EU, growing about 12m tonnes, with France and the UK producing around 7m tonnes each and Denmark 4m tonnes.

Last week, the US criticised the EU's move to restrict wheat exports saying that it sent the wrong signals to developing countries which need stable grain supplies.

Mr Dan Glickman, US agriculture secretary, yesterday stressed that the US would not take any steps to reduce its own exports.

# Teamsters places adverts to drive home dispute

By Ronald van de Krol in Amsterdam

The International Brotherhood of Teamsters, the US trucking union, yesterday placed large advertisements in several newspapers in the Netherlands accusing Ahold, the Dutch supermarket group, of introducing a new distribution system which hurts the "poor and the elderly".

The Teamsters – once famed for links with organised crime – sent a senior official to the Netherlands this week, claiming that the streamlined grocery distribution system would mean that trucks making deliveries to Ahold's supermarkets would be unable to make stops along the way at smaller "mom and pop" shops.

They also argued that the construction of big supermarkets outside US city centres would harm inner cities.

Ahold is one of the top 10 operators in the US, with supermarkets from South Carolina to the Canadian border.

The Teamsters' advertisement, in the form of an open letter to Mr Cees van der Hoeven, the Dutch company's president, and headlined "An Appeal For Justice", attempted to play on Ahold's social conscience, saying: "Poor people and the elderly have to rely on a declining number of shops, which have to charge higher prices in order to survive."

At the bottom of the letter, the Teamsters vowed to send another delegation to the Netherlands next month "in the hope of developing a dialogue that will result in better mutual understanding and co-operation".

Mr van der Hoeven has no plans to meet with the union.

Ahold said the Teamsters' letter was "inaccurate and one-sided". Company officials suggested the campaign was intended to bolster the union's standing in the US by picking on a foreign-owned company.

The new centralised distribution system, known as "cross-docking", means manufacturers deliver goods to a receiving dock on one side of a warehouse and the products are then loaded almost immediately on to trucks at a shipping dock on the other side for delivery to individual supermarkets.

Cross-docking, widespread in Europe, is also being introduced by many retailers in the US as a way of cutting costs, ensuring quick delivery and reducing the need for storage before onward shipment.

Ahold's chain in New York state, Tops, operates 93 neighbourhood shops and is due to open a new distribution centre.

Ahold said the social practices of its US subsidiaries could easily stand comparison with local competitors.

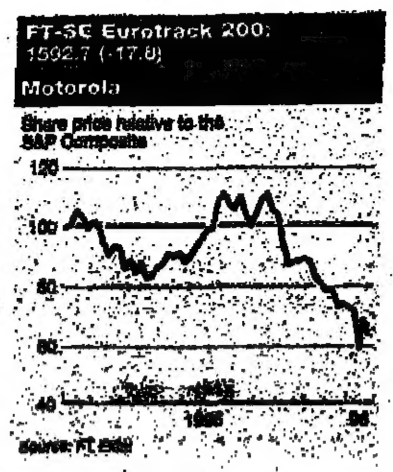
## THE LEX COLUMN

# Downwardly mobile

The main message from Motorola's miserable fourth quarter results is that the US mobile phone handset market has become subject to vicious price competition. When demand for mobile phones was growing at around 60 per cent a year, manufacturers were in a strong position. But with volume growth slowing to less than 20 per cent last year, a price war has been unleashed. Though Motorola once had a technological lead with its MicroTac "flip-phone", little now differentiates its products from its rivals. This is becoming a commodity market – much like that for memory chips with its lurches from boom to bust.

Motorola's main European rivals – Ericsson and Nokia – stress that its difficulties have little immediate relevance for them. Ericsson has no exposure to the US "analogue" phone market, the focus of the price war. Digital handsets, a technology only just taking off in the US, are not as exposed to discounting. Moreover, it is not as though Motorola could dump US analogue handsets on the European market; they would not work.

That said, Ericsson and Nokia are not immune. Motorola reported lower handset orders in Europe, suggesting the competitive pressures are crossing the Atlantic. Longer term, a threat is posed by new entrants from Europe and the Far East, like Samsung, which are cracking the complexities of digital technology. As they ramp up capacity, the price war raging in the US analogue market will probably spread to the digital arena.




### Eurotunnel

One has to admire Eurotunnel's latest attempt to square its impossible financial circle. Since it cannot afford the bill on its £8bn debt, it proposes to issue "zero-coupon" bonds that will not pay interest for 10 years. That would cut its debt and provide cash to pay the interest on its remaining borrowings. Since no sane investor would buy such bonds if backed by Eurotunnel alone, the company proposes the French and UK governments should guarantee them.

The scheme may be clever, but it is hard to imagine it has a snowball's chance in hell of being accepted. If the European Commission turned a blind eye to a blatant breach of its anti-subsidy rules, every company on either side of the Channel would clamour for similar treatment. Britain's hard-pressed homeowners would also lobby for cheap zero-coupon loans to refinance their mortgages. Quite apart from setting a bad precedent, the maths of such zero-coupon bonds are unappealing. Eurotunnel would probably need £3bn in cash from the bonds. But if no interest were paid for 10 years and one assumed a yield of 7 per cent, the bonds would have to be issued at half face value. So once 10 years were up, Eurotunnel would be paying 7 per cent on £6bn. Since that would be on top of its existing interest bill, the group would be right back to square one. France may be tempted by the plan; it has swept problems under the carpet before, notably in last year's Crédit Lyonnais bailout. But the UK will almost certainly kill the idea.

### Dun & Bradstreet

The fashion for Wall Street demergers continues unabated. Having expanded by acquisition in the conglomerate-friendly 1960s, Dun & Bradstreet is now breaking itself up. And the business information group has won an enthusiastic response, with the shares rising 7 per cent in early trading.

The reaction is justified. After 10 years of consistent stock market under-performance, investors were bound to be relieved at any signs of change. Moreover, the structure of the break-up is designed to cater for specific stock market tastes. Cognizant, the largest of the three new pieces, comprises the faster-growing marketing information businesses, which should attract the growth funds. Dun & Bradstreet, which also includes the Moody's debt-rating agency, will re-emerge as a steady growth business with a high dividend pay-out, thereby attracting yield investors. Meanwhile, the runt of the litter, A.C. Nielsen, should be rated as a recovery or even takeover situation, and it usefully removes what has been a substantial drag on Dun & Bradstreet's shares. As a result, the separate stock market valuations should considerably exceed that of the previous whole.

This is all purely financial and it is difficult to see how this deal will generate much more in underlying profits. However, the three businesses have distinct customer bases and different competitors. So it is much harder to fathom why they were put together than why they should be hived off once more.

### J. Sainsbury

J. Sainsbury had to do something to stop the rot. But yesterday's reorganisation, splitting the roles of chairman and chief executive, failed to impress the market. Mr David Sainsbury's concentration on the single role of chairman was welcome enough. But there was disappointment that Mr Dino Adriano, the man behind Homebase's trend-bucking performance, will not start running UK supermarkets for almost two years, while a second chief executive, to run the other businesses, is yet to be appointed. Reservations are understandable; the transition period may mean further delay in tackling Sainsbury's declining sales volume. But in practice Mr Adriano is likely to get to grips with the supermarkets business before the official assumption of his new role.

Recovering lost ground will be difficult, even with keener attention to pricing and marketing. But success at Homebase and Shaw's, its US food retailing business, shows management has not altogether lost its touch. Furthermore, with profits growth under pressure throughout UK food retailing, Sainsbury should benefit from its diversification. The US business accounts for only 5 per cent of profits, but this would rise if, as expected, the group bought out the rest of Giant.

A trading statement from Sainsbury later this month is likely to show continuing underperformance during the Christmas period. But that is already in the price. Since the stock no longer enjoys a premium to the sector following last year's dire performance, it may be time to buy.

Lex comment on the Personal Investment Authority, Page 15

# Russians in stand-off with rebels

Continued from Page 1

1," he said to enthusiastic applause at his party congress.

Before leaving for a memorial service for former French president François Mitterrand in Paris, Mr Yeltsin vowed the Chechen terrorists would be punished, but insisted that the hostages' lives must not be jeopardised. "Bandits are bandits, one cannot trust them," Mr Yeltsin said.

But the president appears reluctant to step up military activities ahead of the elections and is still seeking a political settlement with Mr Doku Zavgayev, the Chechen leader elected in a contentious, and possibly fraudulent, poll last month.

Mr Dzhokhar Dudayev, the rebel commander whose son-in-law masterminded the raid on Kizlyar, appears in no mood for compromise and said "more serious events" would follow the latest attack. "War is just beginning," the Interfax news agency quoted him as saying yesterday.

# Journalist

Continued from Page 1

town in Ogoniland, in the oil-producing Rivers State, where there have been protests against pollution and demands by local people for a greater share of revenues. Nine Ogoni minority rights activists, including author Ken Saro-Wiwa, were hanged in November, after being found guilty of murder of four chiefs. The trial was widely condemned, and the executions provoked international condemnation.

# Syria pledges to step up talks on peace with Israel

By Julian Ozanne in Jerusalem

Syria yesterday indicated a greater commitment to peace with Israel by saying it was ready for "continuous negotiations" until the two sides formulated an agreement.

The Syrian announcement, in the official newspaper Al Baath, coincided with the arrival of Mr Warren Christopher, US secretary of state, in Israel at the beginning of a shuttle mission between Jerusalem and Damascus.

A senior Israeli official said the higher level of Syrian commitment could mark a decisive turning point in talks between the two countries.

The official said Israel's recent peace accords with Jordan and the Palestine Liberation Organisation only came about after both sides had made similar agreements to talk about all the details of peace until they reached a deal.

The Al Baath newspaper said: "If there is anything new in the Syrian position, it is readiness for continuous negotiations that would end with results which give peace what it requires and gives the region security," adding that "great hopes" were attached to Mr Christopher's visit.

King Hussein of Jordan also arrived in Israel yesterday on his first official visit, becoming only the second Arab head of state to do so.

Israeli prime minister Shimon Peres lauded the king's visit as a sign of the warm relations that can exist between Israel and an Arab country.

The visit, made in spite of Jordanian opposition to the normalisation of relations with Israel, was regarded as a signal to Syria about the type of relations Israel would like to have with Damascus.

On his way to Israel Mr Christopher urged both Israel and Syria to speed up their negotiations: "We've come to a critical point in the negotiations where they need to begin to coalesce on some of the main issues. They need to bring them together and move forward at an intensified pace."

Mr Christopher said two rounds of talks in the US over the past month had made solid progress. Most notably, the two sides had moved from discussing one issue at a time and were now discussing all aspects of a settlement, allowing them to calculate trade-offs between one issue and another.

Both sides, he said, needed to make progress and concessions on issues of substance in the coming months before Israeli elections in late October.

"Anyone can simply see by looking at the calendar that there'll be required intensification of the process and acceleration of the process," he said.

Israeli officials said hopes for an intensification of talks, expected to resume in the US around January 22, lay with Mr Christopher's ability to persuade Syria to expand its negotiating delegation to include a senior military officer and a senior economic official.

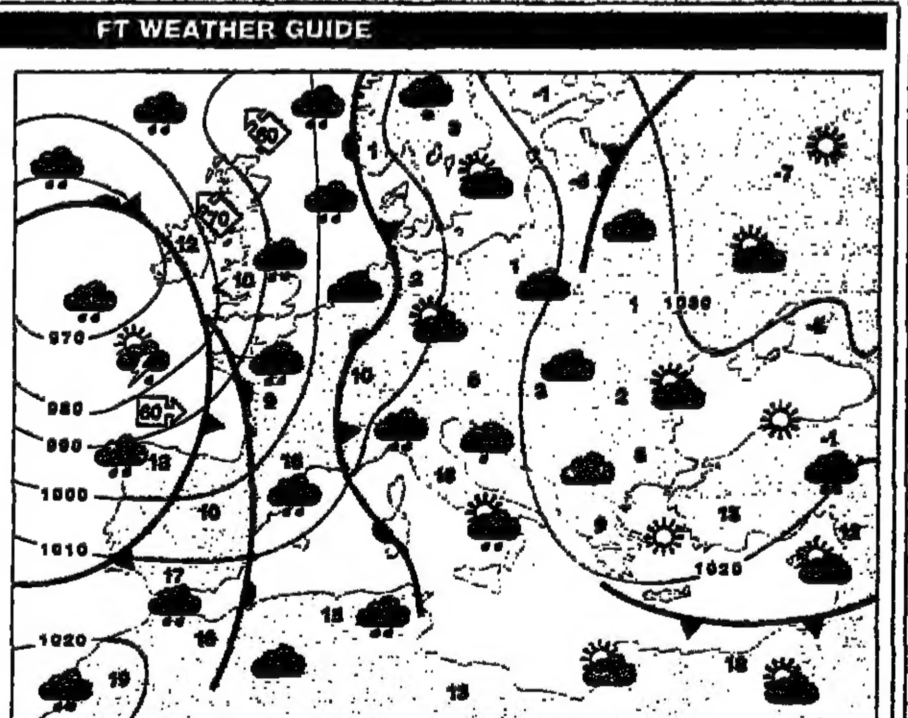
## FT WEATHER GUIDE

### Europe

A wavering frontal zone will continue to bring rain, snow and strong southerly winds to Norway. Only southern Sweden will have clear periods. High pressure over Russia will keep the Balkan states and the Ukraine mainly dry. A frontal system associated with a depression west of the British Isles will move towards the continent bringing strong to gale force southerly and south-westerly winds to Ireland, the western UK, western France and Portugal. Northern Portugal will have a lot of rain. Heavy precipitation is also expected in the southern Alps and north Italy. The French Alps and the Dolomites will see a great deal of snow above 2,000 metres. Greece and western Turkey will have sun.

### Five-day forecast

Frontal systems over the Atlantic will continue to move towards the continent bringing mild air and rain, especially in Ireland and Portugal. Further east, the disturbances will weaken and there will be less precipitation. The southern Alps will become drier. Mild, southerly winds will begin to blow from the east so temperatures will gradually decrease. The Mediterranean will remain unsettled.

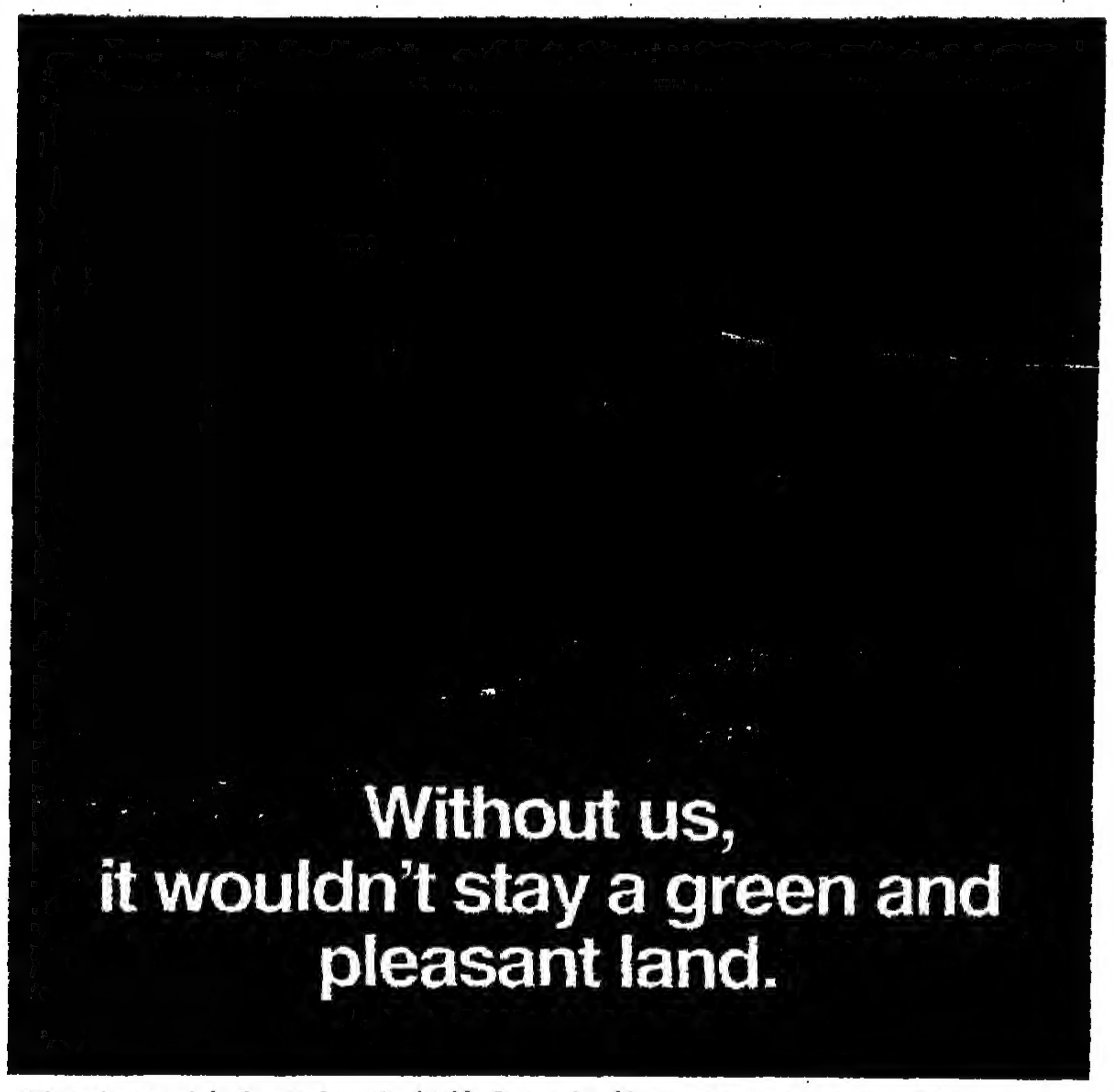



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

| | | Maximum Celsius |
|---|---|---|
| Abu Dhabi | sun | 25 |
| Accra | sun | 33 |
| Algiers | fair | 17 |
| Amsterdam | cloudy | 7 |
| Athens | sun | 12 |
| Atlanta | fair | 8 |
| B. Aires | sun | 36 |
| B.ham | rain | 7 |
| Bangkok | fair | 32 |
| Barcelona | fair | 12 |
| Beijing | sun | 1 |
| Belfast | rain | 8 |
| Belgrade | fair | 7 |
| Berlin | fair | 0 |
| Bermuda | shower | 19 |
| Bogota | cloudy | 20 |
| Bombay | fair | 30 |
| Brussels | cloudy | 8 |
| Budapest | cloudy | 4 |
| C.hagen | fair | 1 |
| Cairo | fair | 17 |
| Cape Town | sun | 26 |
| Caracas | cloudy | 30 |
| Cardiff | windy | 9 |
| Casablanca | shower | 18 |
| Chicago | snow | 0 |
| Cologne | cloudy | 8 |
| Dakar | fair | 27 |
| Dallas | fair | 16 |
| Delhi | sun | 22 |
| Dubai | sun | 25 |
| Dublin | windy | 10 |
| Dubrovnik | cloudy | 15 |
| Edinburgh | shower | 7 |
| Faro | rain | 18 |
| Frankfurt | fair | 7 |
| Geneva | fair | 9 |
| Gibraltar | rain | 17 |
| Glasgow | rain | 8 |
| Hamburg | cloudy | 3 |
| Helsinki | cloudy | -3 |
| Hong Kong | fair | 20 |
| Honolulu | cloudy | 27 |
| Istanbul | sun | 7 |
| Jakarta | rain | 29 |
| Jersey | rain | 11 |
| Karachi | sun | 27 |
| Kuwait | rain | 18 |
| L. Angeles | sun | 28 |
| Las Palmas | fair | 22 |
| Lima | cloudy | 25 |
| Lisbon | rain | 16 |
| London | shower | 10 |
| Lux.bourg | shower | 7 |
| Lyon | shower | 13 |
| Madeira | cloudy | 21 |
| Madrid | rain | 10 |
| Majorca | sun | 16 |
| Malta | shower | 16 |
| Manchester | rain | 8 |
| Manila | fair | 30 |
| Melbourne | cloudy | 25 |
| Mexico City | fair | 20 |
| Miami | fair | 23 |
| Milan | rain | 5 |
| Montreal | fair | -10 |
| Moscow | sun | -4 |
| Munich | fair | 6 |
| Nairobi | fair | 28 |
| Naples | fair | 16 |
| Nassau | fair | 24 |
| New York | fair | -1 |
| Nice | rain | 15 |
| Nicosia | sun | 12 |
| Oslo | sleet | 0 |
| Paris | shower | 9 |
| Perth | fair | 29 |
| Prague | cloudy | 1 |
| Rangoon | fair | 33 |
| Reykjavik | shower | 4 |
| Rio | cloudy | 31 |
| Rome | shower | 17 |
| S. Frsco | sun | 17 |
| Seoul | sun | 4 |
| Singapore | rain | 30 |
| Stockholm | cloudy | 3 |
| Strasbourg | cloudy | 9 |
| Sydney | fair | 24 |
| Tangier | rain | 17 |
| Tel Aviv | shower | 17 |
| Tokyo | fair | 9 |
| Toronto | fair | -5 |
| Vancouver | rain | 10 |
| Venice | shower | 9 |
| Vienna | fair | 5 |
| Warsaw | cloudy | 1 |
| Washington | fair | -1 |
| Wellington | cloudy | 20 |
| Winnipeg | fair | -4 |
| Zurich | shower | 8 |





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FINANCIAL TIMES
# COMPANIES & MARKETS



Thursday January 11 1996



## IN BRIEF

### Aérospatiale chief renews capital call

Aérospatiale, the French state-owned aerospace group, might need a capital injection from an outside company, Mr Louis Gallois, president, said. This would be necessary if the French government did not recapitalise the loss-making business. Page 12

**Thyssen Stahl returns to black**
Thyssen Stahl, Germany's biggest steelmaker, reported net profits of DM651m ($452m) in the year to September 30 last year, a turnround from net losses of DM448m a year earlier. The group insisted that the steel industry was not heading for a recession, in spite of 9 per cent lower output in the first quarter to December 31. Page 12

**Electrolux buys control of Brazilian group**
Electrolux of Sweden, the world's leading maker of household appliances, gave a further push to its expansion drive in emerging markets by taking control of Refripar, Brazil's second-largest white goods manufacturer. Page 14

**Bowater to defer price rise until April**
Bowater, the US paper producer, plans to raise its newsprint list price by $50 a tonne to $875 on April 1. Most other North American producers had proposed a March 1 price increase. Page 14

**Bausch & Lomb looks to a brighter future**
Things can only get better at Bausch & Lomb, the US maker of optical goods including Ray-Ban sunglasses. Its chairman and chief executive has quit; the Securities and Exchange Commission is probing allegations of accounting irregularities and a profits recovery has stumbled. Page 14

**Hopewell poised to raise HK$9bn**

Mr Gordon Wu (left), the controlling shareholder of Hopewell Holdings, a Hong Kong property and infrastructure group, said his company was well on the way to raising HK$9bn (US$1.2bn) through the spin-off of its roads, transport and related property interests. He said he had obtained commitment from investors, mainly Japanese, to subscribe to HK$5bn of shares in Consolidated Real Estate and Transport Asia, as the company will be called. Page 13

**UK Christmas sales fail to please**
Differing experiences in the UK retail sector were reflected in announcements by three leading companies in the market. Both Next, the clothing retailer and mail order group, and Dixons, the consumer electronics retailer, reported strong Christmas seasons, whereas J. Sainsbury, the grocery chain, shook up senior management and redefined its chairman's role in a move designed to halt the decline in sales volumes and market share. Page 15

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**Chief price changes yesterday**

| | | | |
|---|---|---|---|
| **FRANKFURT (DM)** | | | |
| **Rises** | | | |
| Schmalbach Lub | 225.8 | + | 5.3 |
| **Falls** | | | |
| Asko | 730 | – | 20 |
| Herlitz | 266.5 | – | 5.5 |
| PWA | 212 | – | 6 |
| SAP AG | 225.6 | – | 10.1 |
| Zanders Feinpp | 140 | – | 5 |
| **NEW YORK ($)** | | | |
| **Rises** | | | |
| [illegible] | 30¼ | + | 1⅜ |
| [illegible] | 28⅜ | + | 1⅛ |
| **Falls** | | | |
| Kyocera Corp | 143 | – | 8 |
| Motorola | 49¼ | – | 4¼ |
| Pitney Bowes | 42½ | – | 3⅛ |
| Tech-Sym | 29¾ | – | 2⅞ |
| **LONDON (Pence)** | | | |
| **Rises** | | | |
| Acorn Comp | 238 | + | 25 |
| Campbell & Arm | 20 | + | 4 |
| Eurodollar | 86 | + | 15 |
| Vibroplant | 91 | + | 7 |
| **Falls** | | | |
| Ryland | 68 | – | 7 |
| [illegible] | 57 | – | 5 |
| **TORONTO (C$)** | | | |
| **Rises** | | | |
| Arequipa Res | 6¾ | + | ¼ |
| Golden Star | 10¼ | + | 1 |
| PC Docs | 18⅞ | + | 1⅛ |
| **Falls** | | | |
| Biovail Corp | 31¼ | – | 3 |
| Rand A Tech | 24 | – | 1½ |
| Softkey Softw | 31½ | – | 2¾ |
| **PARIS (FFr)** | | | |
| **Falls** | | | |
| BNP | 205 | – | 7 |
| Bancaire Comp | 506 | – | 21 |
| Cap Gemini S | 123.5 | – | 8.6 |
| Eridania B-S CI | 762 | – | 81 |
| Remy Cointreau | 154 | – | 10 |
| SGS-Thomson | 155.1 | – | 14.9 |
| **TOKYO (Yen)** | | | |
| **Rises** | | | |
| Kanematsu | 487 | + | 37 |
| Kurabo Ind | 444 | + | 24 |
| NOK Corp | 848 | + | 50 |
| Nissho Iwai | 581 | + | 38 |
| Renown | 424 | + | 31 |
| Showa Alum | 585 | + | 69 |
| **HONG KONG (HK$)** | | | |
| **Rises** | | | |
| Chen Hsong | 4.6 | + | 0.2 |
| Conti Mar | 1.17 | + | 0.18 |
| [illegible] | 2 | + | 0.15 |
| Wai Kee | 1.29 | + | 0.15 |
| **Falls** | | | |
| Con Elec Pwr | 12.9 | – | 1.0 |
| Giordano Intl | 7 | – | 0.4 |
| **BANGKOK (Baht)** | | | |
| **Rises** | | | |
| Siam Tyre | 400 | + | 30 |
| Sri Dhana Fin | 59.5 | + | 5 |
| **Falls** | | | |
| City Sports | 47.75 | – | 4.25 |
| Jalaprathan | 63 | – | 5 |
| Peoples Garment | 30 | – | 3 |
| Sarapan Sra | 36 | – | 4 |

New York and Toronto prices at 12:30.

# Greenhill quits as Smith Barney head

Greenhill: setting up own firm

By Maggie Urry in New York

Mr Robert Greenhill, one of Wall Street's most famous dealmakers, is quitting as chairman and chief executive of Smith Barney, the stockbroker, only two and a half years into a seven-year contract.

His departure was seen on Wall Street yesterday as a sign that his objective of building Smith Barney into an investment banking powerhouse as well as a leading stockbroker had not worked.

However, Mr Greenhill said that when 1995 results were published next week, they would show Smith Barney was the most profitable securities firm on Wall Street. It had "risen dramatically" in the league tables, he said. Smith Barney said its strategy of being both a large retail broker and an investment bank remained in place.

It was placed third in the table of US managers of initial public offerings in 1995. However, in domestic mergers and acquisitions the firm was 11th last year, according to Securities Data, which collects statistics on financial markets, falling from eighth in 1994 and sixth in 1993, the year Mr Greenhill joined. In 1992 Smith Barney was 22nd in domestic M&A deals.

Mr Greenhill, who is a close friend of Mr Sanford Weill, chairman of Travelers Group, the financial services company which owns Smith Barney, is to set up his own firm, Greenhill & Co, to offer investment banking advice.

Mr Greenhill will be replaced by Mr James Dimon, chief operating officer of Smith Barney and president and chief operating officer of Travelers. Officials at Smith Barney said Mr Greenhill's departure and the promotion of Mr Dimon reflected the fact that Mr Dimon had been running the business for the past two years.

When Mr Greenhill joined Smith Barney from Morgan Stanley, where he had worked for 30 years, his appointment was seen as a coup for the firm.

However, before joining Smith Barney, Mr Greenhill had been under pressure at Morgan Stanley. In March 1993, he stepped down as president to become a senior adviser. One Morgan Stanley official said yesterday: "He was always a deal guy, never a manager."

After joining Smith Barney, Mr Greenhill recruited a number of investment bankers, including 22 from Morgan Stanley, to boost Smith Barney's activities in underwriting and M&A work. Last year, some of those bankers asked Morgan Stanley if they could return, but were rebuffed.

Those appointments caused dissension within Smith Barney as the newly hired bankers had been lured with guaranteed compensation packages. When Wall Street's profits collapsed in 1994, the old guard at Smith Barney found their bonuses slashed while the new recruits' compensation was cut by less.

Mr Greenhill said: "The thing I like most is the client business." He expected Mr Weill and Travelers would be "one of my first clients" at the new firm. He was taking only one investment banker from Smith Barney with him to his new firm, he said.

# Oracle forges UK alliance for design

By Louise Kehoe in California and Paul Taylor in London

Oracle, the US-based software group, took another step towards launching a new generation of low-cost "network computers" by announcing a design agreement with Acorn Computer of the UK yesterday.

The deal, under which Acorn will develop reference designs for a range of network computing products – from hand-held devices to desktop terminals and telephones for Internet access – sent shares in the Cambridge-based computer group sharply higher. Acorn's shares, buoyed in recent months by rumours of a deal, gained 25p to 238p.

Mr Larry Ellison, chairman and chief executive of Oracle, has promoted the concept of a $500 computer as a low-cost alternative to personal computers for accessing the Internet.

Acorn, which is majority owned by Italy's Olivetti computer group, said it would create a blueprint for this new generation of computers on behalf of Oracle.

Oracle stressed that these machines would be based on open Internet software standards and would not be tied to any one manufacturer's proprietary microprocessor chips.

Oracle is expected to demonstrate the first network computers next month. Several computer companies, including International Business Machines, have also announced plans to bring such products to market over the next few months.

Acorn's personal computers are based on small, low-cost microprocessor chips that consume less power than rival devices. The chips are made by Advanced Research Machines, of which Acorn holds 43 per cent.

Oracle, which specialises in providing database management programs, does not plan to make or distribute network computers itself. However, Oracle believes that such low-cost computers could increase greatly the use of online services and expand the market for its database software.

Leading personal computer industry executives, such as Mr Bill Gates, chairman of Microsoft, the world's largest software company, have expressed serious doubts about the costs and capabilities of such machines. Only when high speed, high capacity networks become widely available could such machines substitute PCs, they say.

# Mack in talks to open plants in Mexico and Brazil

By Haig Simonian in Allentown

Mack Trucks, the US heavy vehicle maker owned by Renault of France, is in talks to build assembly plants in Mexico and Brazil as a cushion against the volatile domestic truck market.

Mr Pierre Jocou, chief executive, said discussions could be concluded "in a matter of months". The two projects, which would be joint ventures, would be limited to low volume assembly but could be expanded with rising local content. They would protect Mack against the severe cyclical nature of the US market.

Sales of Class 8 vehicles (over 16 tonnes) rose to 201,000 units last year from 185,700 in 1994. Mr Jocou forecast sales would fall 30 per cent this year as the industry turned down.

He also warned that the industry's record inventory level of 35,000 units could trigger an incentive battle among manufacturers to shift surplus stock.

Mack's output rose sharply to 28,000 units last year, continuing its recovery from the brink of collapse in the early 1990s. US Class 8 sales totalled 24,167 units, taking Mack's share of that market to 12 per cent from 11 per cent in 1994.

The prospects for Mack this year will bear on plans to sell the French state's majority stake in Renault. Analysts have argued that full privatisation, due last year, will be hampered by the expected fall in Mack's earnings as the US truck market turns down.

Although Renault does not publish Mack's earnings, Mr Jocou said its return to profitability had accelerated in 1995. In 1994, the company made operating earnings of $49m. However, Mack's earnings remain at the lower end of the industry.

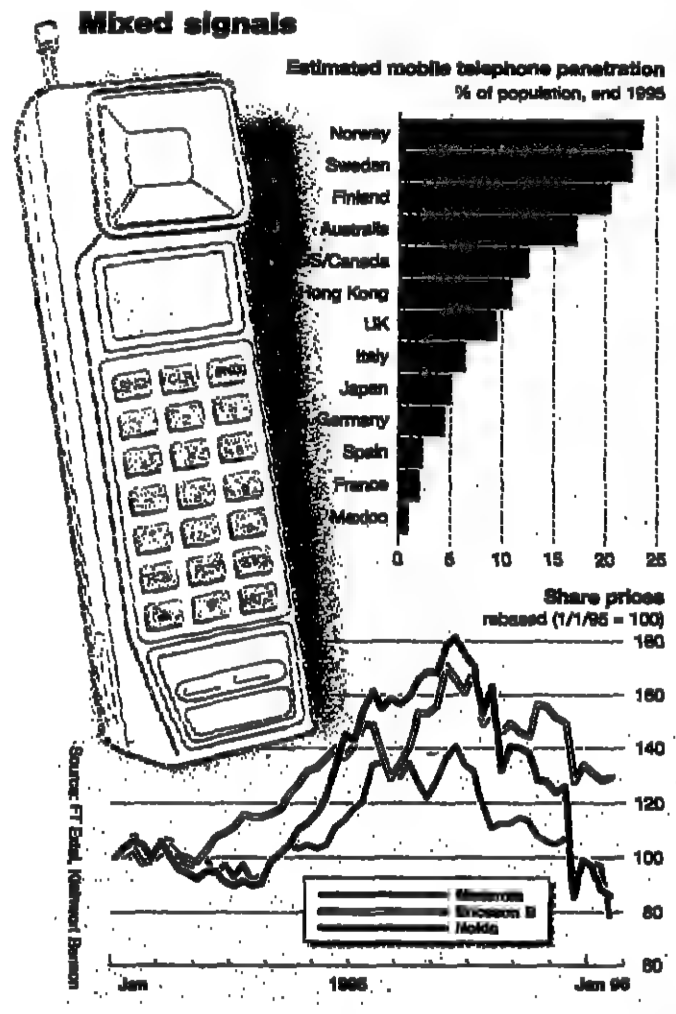
To close the gap, it plans closer co-operation with Renault VI, the group's European commercial vehicles operation.

Mack had been planning a venture in Mexico for some time, but Mr Jocou said the latest project marked a revision of previous schemes.

He said the new plants might also build European Renault VI models.

## Handset manufacturers are puzzled by the sharp falls in their share prices

# Investors get their lines crossed over mobile phones




Just four months ago, companies supplying the voracious world market for mobile telephone equipment were among the world's hottest stocks. But recently the sector has been about as attractive to investors as a phone with a flat battery.

Sharp falls yesterday by stocks on both sides of the Atlantic followed the announcement on Tuesday by Motorola, the US group controlling more than 32 per cent of the world mobile handset market, of a fall in profits in the fourth quarter last year. It also warned of slower sales, falling prices and a squeeze on margins. Nokia contributed to the price falls by confirming softening handset prices.

Much the same happened when Motorola issued a similar report after the third quarter and when Nokia surprised the market in mid-December with a warning of falling profits in the final months of the year. Nokia, for three years the wonder stock of the small Helsinki bourse, has been especially hard hit. From record highs last September of nearly FM330, its most-traded A shares fell yesterday to FM130.

Motorola blamed its poor fourth-quarter performance on a price war in the cellphone market, increased investments in semiconductor plant and equipment and a difficult year-to-year comparison caused by an artificial bulge in cellphone sales in the last quarter of 1994. But Mr Gary Tooker, Motorola chief executive, warned difficult conditions in developed markets could result in lower sales growth and difficult earnings comparisons in the next few quarters.

However, the paradox is that world demand for mobile telephones continues to expand. "Some people seem to have it in mind that this sector has gone ex-growth – and that is clearly not the case," remarked Mr Richard Kramer, telecoms analyst at Kleinwort Benson in London.

Many analysts who continue to talk up mobile telephone supplier stocks privately express exasperation with their clients, muttering the herd instinct has overcome investors.

Yet slower profits growth – at least at Motorola and Nokia – is a fact. So what is going on?

The companies point out overall growth remains rapid. The number of cellular phone subscribers has risen by more than 10 times in the past five years to more than 80m worldwide. The industry is expecting this to soar to 350m by the end of 2000.

Their optimism is based on the fact that most of the world's biggest markets have room for expansion. The highest penetration of mobile phones is in the Nordic countries where more than 20 per cent of the population have a handset. By comparison, penetration in the US – the biggest single market – is below 13 per cent and in markets, such as Germany and Japan, it is still around 5 per cent.

Despite the slowdown reported by Motorola in the US, which accounts for more than one third of the world market, growth in US mobile telephony was still running in late 1995 at an annual rate of about 40 per cent.

In Europe, the annual growth rate during 1995 was about 60 per cent. In east Asian markets it was as high as 96 per cent.

Ericsson and Nokia say their chief problems are in managing the growth efficiently – not a significant slowdown in demand. Ericsson said yesterday its fourth-quarter profit would be ahead of the same period in 1994. Nokia's profit warning was largely due to problems encountered in keeping production in step with orders.

However, investors have preferred to focus on less bullish trends behind the spectacular growth figures.

In the US, part of the problem is a shift in technology from analogue systems to digital ones. This has had an impact especially on Motorola which still has a majority of its handset sales to analogue systems.

Prices of handsets in the US and Europe have fallen by an average of 15-20 per cent, according to Nokia, which is second to Motorola in handset sales, with a 21 per cent worldwide market share. The fight by other producers – such as Siemens, Alcatel and NEC – to increase their market share is likely to reinforce the trend.

The manufacturers say growing volumes, affording greater economies of scale, allow room for price cuts without a big cut in margins. But if demand does slow, prices and margins will come under pressure.

However, the Nordic producers are confident their strength in digital systems will carry them through slower periods.

Lex, Page 10;
Flash memory chips, Page 13;
Stock Markets, Back Page

**Hugh Carnegy**
*Additional reporting by Louise Kehoe*

# Dun & Bradstreet to split into three quoted units

By Tony Jackson in New York

Dun & Bradstreet, the financial information and market research group, is to join the demerger trend by splitting itself into three quoted companies.

The move, aimed partly at improving a flagging share price, pushed the shares up $2⅝ to $66 in early trading yesterday, valuing the group at $11.2bn.

The demerger unpicks the two biggest acquisitions by Dun & Bradstreet in the past 12 years: that of the market research company A.C. Nielsen, bought for more than $1bn in 1984; and of IMS International, supplier of market research to the drug industry, bought for $1.7bn in 1988.

Mr Robert Weissman, chief executive, said the split had been dictated by the different characteristics of the businesses. "As information markets have accelerated and fragmented, the diversity of strategies within Dun & Bradstreet reached the point where they didn't live comfortably under the same umbrella," he said. The split aims to highlight the differences between IMS International, which enjoys fast growth, Dun & Bradstreet itself, which is a steady generator of cash, and Nielsen, which is barely profitable.

The biggest company by sales and profits, retaining the Dun & Bradstreet name, will take in financial information, including the Moody's credit rating agency, plus Donnelley, the biggest US operator of telephone yellow pages. It made pro forma net profits in 1995 of $314m on sales of $2bn.

The biggest by market value is expected to be the fast-growth Cognizant Corporation. Consisting of IMS International, Nielsen Media Research – specialising in electronic media – and the high-tech consultants Gartner, Cognizant had net profits last year of $222m on sales of $1.4bn.

Dun & Bradstreet said Cognizant would have earnings growth of 17-20 per cent in 1996 and 1997, compared with 4-6 per cent for the new Dun & Bradstreet. It would also pay out some 20 per cent of its earnings, against 55-60 per cent for the new Dun & Bradstreet. Mr Robert Weissman, chief executive of Dun & Bradstreet, will be chairman and chief executive of Cognizant.

The third company, A.C. Nielsen, had net profits of only $7m last year on $1.3bn of sales. Mr Weissman said this was caused by heavy investment plus competition. Earnings in 1996 and 1997 were expected to rise by a factor of 2.5-3, but the company would not pay dividends.

The company said it would take a pre-tax charge of $448m in the fourth quarter, mainly because of the write-down of contracts and software. The workforce would be reduced by less than 2 per cent.

Full-year earnings for 1995 before the charge would be $3.80 per share, in line with expectations.

## INTERNATIONAL COMPANIES AND FINANCE

### EUROPEAN NEWS DIGEST

# Astra shares drop sharply on warning

Shares in Astra fell heavily yesterday after the fast-growing Swedish pharmaceuticals group warned of lower expectations for 1996 profits because of the stronger krona. It said it was surprised analysts had not cut their 1996 forecasts more to take account of the 10 per cent rise in the Swedish currency since last summer.

Astra, best known for its anti-ulcer drug Losec, has 92 per cent of its sales and more than 60 per cent of its costs outside Sweden. It warned the stronger krona would have a "significant impact" on profits in the second half of this year as hedging programmes were unwound. The comments prompted many analysts to cut their 1996 profits estimates and led to a sharp sell-off in the shares of the company, Sweden's biggest by market capitalisation. At one point, the group's A shares were 8 per cent lower, but they recovered to end the day at SKr261, down 5 per cent.

Analysts have been forecasting pre-tax profits of about SKr12.2bn ($1.8bn) for Astra in 1995 and SKr14.2bn for 1996. They say a 10 per cent rise in the krona could wipe between SKr1bn and SKr2bn off Astra's pre-tax profits once hedging programmes fully expire. Paribas in London has cut its 1996 profits forecast from SKr14.25bn to SKr13.58bn and its 1997 forecast from SKr16.8bn to SKr15.7bn. Mr Staffan Ternby, an Astra vice-president, said analysts' revised assessments for the group "fit our scenario for the krona". But he stressed that "nothing has changed in Astra's underlying business development". *Christopher Brown-Humes, Stockholm*

## Record year for Wienerberger

Foreign acquisitions in eastern Europe lifted 1995 operating income and revenue at Wienerberger, the Austrian construction materials group, to a record high. Group sales jumped 28 per cent from Sch10.55bn to Sch13.46bn ($1.3bn), while operating profit rose about 15 per cent from Sch1.303bn a year earlier to an estimated Sch1.5bn. Wienerberger will hold its dividend steady at Sch42 a share but its total payout to shareholders will rise 64 per cent because of a capital increase last year.

The company's shares jumped on the news but later gave up most of the gains in a broadly weaker market. The stock closed up Sch5 at Sch2,120 on the Vienna stock exchange. Profit and sales were lifted by the takeover of the French construction materials group Sturm, an expansion of its pipe unit Pipelife, and a turnround at Treibacher, its industrial chemicals subsidiary. A recovery in the east European building industry, particularly in Hungary, helped offset weaker construction in Austria and Germany, Wienerberger's largest markets.

Wienerberger also said it had acquired a 30 per cent stake in the Italian brick maker Laterizi Brunori and leased a brick factory in Speyer, Germany. Further acquisitions and expansion in eastern Europe should lift Wienerberger's sales to Sch15bn and operating profit to Sch1.6bn this year, the company said. *Eric Frey, Vienna*

## Tetra Laval in restructuring

Tetra Laval, the Swedish processing and packaging group, is restructuring its global operations to help the expansion of its fast-growing food businesses. The change will bring Tetra Pak Food, which specialises in processing and packaging for viscous and solid foods, under the organisational umbrella of Tetra Pak, which concentrates on liquid food processing, packaging and distribution.

This will give Tetra Pak Food access to Tetra Pak's ready-made global marketing and production facilities, avoiding the need for a costly build-up of separate networks. Tetra Pak Food has been the fastest growing of Tetra Laval's four industrial groups. Prepared foods, one of Tetra Pak Food's three businesses, will be fully incorporated within Tetra Pak. Ice cream and convenience food – the other two units – will operate as separate units within Tetra Pak. *Christopher Brown-Humes*

## Scant interest for Ikarus float

Hungary received only one valid bid for an 80 per cent stake in Ikarus, its troubled, partially-privatised busmaker, by the January 8 tender deadline and no leading international vehicle manufacturer was among the six bidders, the company said yesterday. However, the group indicated it expected a second tender to be called and said three European vehicle makers were interested in continuing talks. Ikarus, once one of the world's largest busmakers, was badly hit by the collapse of former Soviet markets. In 1994 and 1995, it produced about 1,500 buses, down from annual rates of almost 14,000 in the 1980s. *Virginia Marsh, Budapest*

■ Coca-Cola, the US soft drinks group, has been holding talks with the Haning municipality of Stockholm for more than a year to establish its own bottling plant in Sweden. The aim is to provide Coca-Cola with an alternative if negotiations with Pripps Ringnes, its bottling and marketing licensee in Sweden, fail, the newspaper Dagens Politik reported. *Sim Ee Waun*

# Bertelsmann unit, Mitsui in licensing agreement

By Judy Dempsey in Berlin

T1 New Media, a subsidiary of Bertelsmann, Germany's largest media group, is looking to expand in the Asian market through a licensing agreement with Mitsui, the Japanese-based international trading company. The companies will licence each other's products.

The groups intend to tap the rapidly expanding multimedia market in Europe and Asia.

Two months ago Bertelsmann and America Online, the fastest growing online service in the US, launched a jointly-owned operation in Germany. This is to be followed later this year by launches in France and the UK.

"The agreement will enable [both] companies to combine and benefit from each other's strengths and know-how in their respective markets and assure Bertelsmann a strong entry into the Asian market," said Mr Florian Lahnstein, vice-president of the Hamburg-based T1 New Media.

The Asian market accounts for about 9 per cent of Bertelsmann's total annual turnover. The group, the world's third largest media organisation, which encompasses book clubs, book and music publishing houses, newspapers and online services, last year recorded net profits of DM805m ($558.9m) on sales of DM21.5bn. Bertelsmann founded T1 New Media 18 months ago to produce and publish interactive CD Roms and to find non-German partners to translate and market its products.

Mitsui will market the group's travel guides and its award winning *Hard Evidence – The Marilyn Monroe File*, which has sold more than 40,000 copies in the US since it was launched last June.

Mitsui, whose business is anchored on computers and communications, related hardware and software sectors, as well as mobile and satellite communications, has been seeking a partner in Germany to market its own multimedia products.

"This is going to be a first and great step for the collaboration between Bertelsmann and Mitsui in the multimedia business," said Mr Rentaro Kohama, general manager of Mitsui's information business development division.

# Thyssen Stahl returns to black

By Michael Lindemann in Duisburg

Thyssen Stahl, Germany's biggest steelmaker, yesterday reported net profits of DM651m ($452m), a turnround from net losses of DM418m a year earlier. The group insisted that the steel industry was not heading for a recession, despite 9 per cent lower output in the first quarter.

Mr Ekkehard Schulz, chief executive, said Thyssen Stahl had achieved significant productivity gains in recent years but would have to do much better, given that its labour costs were still about 50 per cent higher than those at leading competitors such as British Steel.

Following a series of joint ventures with the rival German steelmaker Krupp Hoesch over the past 18 months, Thyssen Stahl would continue to try to pool activities with other producers, Mr Schulz said.

That might include a project in eastern Europe to build a surface finishing and coating plant producing higher-value products, for which demand is likely to improve in coming years, he said.

However, Mr Schulz said the steel industry was still going through a "transition" period, and that the state of the steel market this year would depend on what other leading European steelmakers did to trim production in the face of lower demand. In line with other producers, Thyssen Stahl introduced short-time working in November and closed down many operations over Christmas.

Overall, Mr Schulz said, steel demand this year should not fall behind the levels seen last year. This was because only the construction industry, which made up 1 per cent of Thyssen Stahl sales, was signalling weaker demand.

However, the Thyssen calculations are based on GDP growth in Germany of 1.5 per cent this year, and this figure may slip further after a revision by leading DIW economic institute this week of its forecasts. The institute said the economy would grow by just 1 per cent this year.

Thyssen's monthly production in the first quarter, which ended on December 31, stood at 828,000 tonnes, 9 per cent lower than in the same period a year earlier. Monthly sales fell 13 per cent to DM863m. However, the company expects demand to pick up later this year.

Although Mr Schulz described the 12 months ended September 30 as a "boom" year for the company, he admitted that the better results were 80 per cent attributable to the improved market conditions. Only 20 per cent came from cost cuts. Thyssen Stahl still had debts of about DM800m, half of the total losses of the past three years.

Personnel costs had fallen to 23.6 per cent of total output, from 27.5 per cent a year earlier.

The company admitted, however, that three-quarters of the drop in costs was due to the restructuring, which included the joint ventures with Krupp Hoesch. Those ventures, in turn, meant that Thyssen Stahl's sales last year were DM600m lower than in previous years.

# Tackling domestic problems abroad

## Germany's Balcke-Dürr is using foreign workers to offset high wage costs, writes Michael Lindemann

Many German companies, burdened with high domestic labour costs, are finding it difficult to expand into booming Asian markets. However, Mr Hans-Wolfgang Koch thinks he may have come up with a solution.

The head of Balcke-Dürr, a power and water engineering company belonging to the ailing Deutsche Babcock group, hopes to find new opportunities abroad to offset the largely stagnant German market.

German engineers, Mr Koch says, cost about DM130 (about $90) an hour. But when Balcke-Dürr bids for international power station contracts the hourly pay has to be kept below DM50 an hour if the company is to have any chance of beating its competitors.

Balcke-Dürr has tackled the problem by buying a stake in the Madras-based Indian Development Engineering Association, an Indian consultancy which offers engineers at just DM10 an hour. Initially, Mr Koch hoped that one German engineer could manage about 15 Indian engineers, thus driving down costs.

That ratio proved unworkable, so Balcke-Dürr invested in a satellite communications system which allows the two teams to exchange design plans by phone and work more closely together. Under this system, one Balcke-Dürr engineer now supervises six Indian engineers.

Balcke-Dürr's example is typical of how many medium-sized German companies are tapping fast-growing foreign markets. At the same time, they need to keep their prices at levels where they can match competitors who do not have to pay their costs in steadily appreciating D-Marks.

In 1990, 80 per cent of Balcke-Dürr's business was concentrated in the German power station market, generating sales of less than DM500m. Since then, the company has restructured to focus on three core sectors: power, water and construction technology.

Profits from the big orders it landed during the reconstruction of eastern Germany, especially in the power station sector, helped it to buy companies in the UK, Switzerland, India and the Czech Republic, and create joint ventures in China and Russia.

By the time business in eastern Germany starts to tail off in 1998, Mr Koch hopes Balcke-Dürr will have created enough international business to maintain sales and earnings. When it reported its figures for 1995 last month the prospects looked good: new orders from abroad had risen from 18 per cent to 30 per cent of total new orders, which were worth DM1.8bn.

While the difficulties at parent Deutsche Babcock are frequently subject to press speculation, there is evidence that Balcke-Dürr is making progress in re-focusing its business.

There have also been some notable successes. Krantz-TKT, the division which specialises in construction management, recently won Balcke-Dürr's second biggest contract ever, a DM325m deal as part of the German consortium building the new Spata airport near Athens.

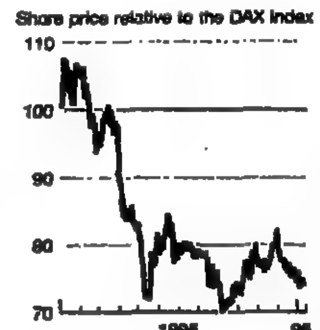
Meanwhile, Krantz has bought a smaller company specialising in constructing intelligent communications networks and fibre optic cabling, an area which is expected to grow considerably as the German telecoms market is liberalised.

Another recent purchase for which Mr Koch has high hopes is Tuma Turbomach, a Swiss company specialising in smaller turbines generating up to 15MW. Balcke-Dürr sees promising demand for these smaller turbines which, Mr Koch says, are "affordable" and especially suited to developing countries where the energy infrastructure is often unreliable.

However, Mr Koch admits that windfall contracts like Athens airport are "rare" and much of the group's other new international business is much harder to come by.

BDAG Balcke-Dürr

Share price relative to the DAX Index




Source: FT Extel

Balcke-Dürr recently signed a DM43m contract to build a chemicals plant at Oltchim in Romania, but the deal took three years to put together.

Mr Koch is concerned that if the present system of negotiating engineering industry wages persists – and labour costs continue climbing as they did this year – then Balcke-Dürr's efforts to put work out to India and elsewhere may all be in vain.

While larger companies such as Siemens and Daimler-Benz had full order books and wanted to prevent any stoppages at all costs, the smaller, often family-owned engineering companies are now buckling under the strain of the 4 per cent wage rise agreed by the employers federation.

"The negotiating process simply has to differentiate more between the different categories of companies," Mr Koch said.

# Aérospatiale chief renews call for fresh capital

By David Buchan in Paris

Aérospatiale, the French state-owned aerospace group, might need a capital injection from an outside company, Mr Louis Gallois, president, said yesterday. This would be necessary if the French government did not recapitalise the loss-making business.

Mr Gallois has been calling on the French state for a capital increase of as much as FFr10bn ($2bn) to bolster the group's FFr5bn funds, but has not had a reply.

However, given that Aérospatiale makes France's nuclear missiles, he indicated that initially investors would have to be French. "Aérospatiale is not quite like other companies as regards the nationality of its shareholders."

Uncertainty surrounds the defence industry in France, with the government reviewing its defence needs and several state-owned companies making losses.

French defence companies are waiting for the government to take the lead in restructuring the industry.

About 17 per cent of Aérospatiale's capital which was held by the state-owned Crédit Lyonnais bank is due to be sold by the CDR organisation, set up to dispose of that bank's industrial holdings. But Mr Gallois stressed he was more interested in the government or some state-approved outside investor bringing in fresh money.

External investors are unlikely to put money into the loss-making company while it is still in state hands. The company would also need to cut costs to become attractive to potential investors.

Mr Gallois yesterday announced a plan to save the group FFr3bn over the next three years. Aérospatiale has already announced plans to shed 3,100 jobs and a further 800 in its Eurocopter joint venture with Daimler-Benz Aerospace this year and next.

Mr Gallois said every sector of the group, except for research, development and marketing, would have to make savings.

The group had continued to lose money in 1995, and forecast that the effect of French defence budget cuts and the low level of the US dollar, which lost nearly 15 per cent against the franc last year, would be felt "even more strongly this year".

Provisions to cover the restructuring costs would result in a net loss for 1995, Mr Gallois said, even though the group broke even at an operating level. In 1994 it recorded a FFr17m operating profit but a net loss of FFr483m.

Group turnover rose slightly to just over FFr49bn, compared with FFr48.2bn in 1994. But booked orders rose 32 per cent from FFr29.6bn in 1994 to FFr39bn last year, chiefly due to a record level of satellite contracts.

# Creditanstalt agrees sale of fund management business

By Vincent Boland in Prague

Creditanstalt, the Austrian bank, signed an agreement yesterday to sell its Prague-based fund management business to Agrobanka, a privately-owned Czech bank. Agrobanka is aggressively expanding its investment management operations to create a bank-based industrial empire.

The Austrian bank is selling Creditanstalt Investment Co, established to participate in the Czech Republic's mass privatisation programme through coupons. Creditanstalt owns 80 per cent of the company, with Prague-based executives owning the remainder.

The investment company manages two funds that own shares in privatised Czech companies. Creditanstalt Czech Investment Fund (CCIF), the larger of the two, is listed on the London Stock Exchange. As part of the agreement with Creditanstalt, Agrobanka is also making an offer of Kč780 a share to foreign shareholders in this fund, which has a net asset value of over $100m.

The offer price represents a premium of 15 per cent on the fund's share price on January 9. Foreign shareholders own some 14 per cent of CCIF. If they accept the offer, CCIF is likely to lose its London listing.

The transaction is the latest in a series of changes among Czech fund management groups that has seen local banks tighten their grip on investment funds. Analysts say Czech banks want to maintain significant shareholdings in industrial companies, as German and French banks do.

The purchase is significant for Agrobanka, the largest of the private Czech banks established since economic reforms began. Last October it began an aggressive push to expand its fund management business by targeting small and medium-sized fund managers for takeover. It already runs one of the largest Czech voucher funds.

Creditanstalt said it would retain its money market and equity mutual fund operations and its pension fund business, which will be controlled by Creditanstalt Securities, its Prague-based investment banking unit. Completion of the sale of the fund management business is expected within three months.

INTERNATIONAL COMPANIES AND FINANCE

# Hopewell set to raise HK$9bn

By Simon Holberton in Hong Kong

Mr Gordon Wu, the controlling shareholder of Hopewell Holdings, a Hong Kong property and infrastructure group, yesterday said his company was well on the way to raising HK$9bn (US$1.2bn) through the spin-off of its roads, transport and related property interests.

He said he has already obtained commitment from investors, mainly Japanese, to subscribe to HK$5bn of shares in Consolidated Real Estate and Transport Asia, as the company will be called.

In an interview, Mr Wu dismissed rumours he will sell his interest in Consolidated Electric Power Asia (Cepa) – the company's power industry subsidiary – and hit back at stock analysts who talk down his company.

"I might not be the darling of the analysts but my banking relationship is A1 – I always pay back my loans," Mr Wu said. "They [bankers] don't seem to be worried."

Hopewell Holdings has been the butt of much criticism by investors and stock analysts in the past six months. Mr Wu is viewed as a dynamic entrepreneur who has nevertheless overstretched himself.

Hopewell's share price has performed poorly amid growing investor concerns about the company. The company's gearing is estimated by Goldman Sachs, the investment bank, at 64 per cent at the end of last year and, on unchanged policies, is forecast to rise to 77 per cent this year.

With cash raised from the sale of 25 per cent of Consolidated Real Estate, Hopewell's gearing in 1996 would fall to about 50 per cent this year. Hopewell will retain 75 per cent of the company and continue to manage its projects.

Mr Wu said the cash being raised would enable projects in southern China and Thailand to be funded without further recourse to Hopewell. He denied he was under pressure from bankers to cut his debt.

Consolidated Real Estate will acquire Hopewell's interest in the south China superhighway and related roads and property as well as its Bangkok mass transit road and rail project. It will acquire these assets at their book value of about HK$15bn.

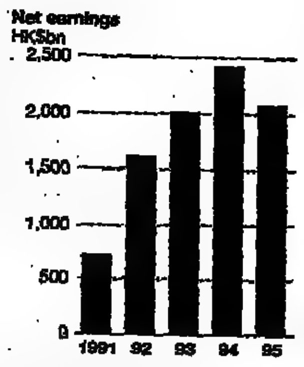
Mr Wu said equity in the company, which generates a return in excess of 20 per cent, would be sold initially to private investors. Investors in Thailand, where the company has plans to build a mass transit system in Bangkok, and Japan had expressed most interest in taking a stake.

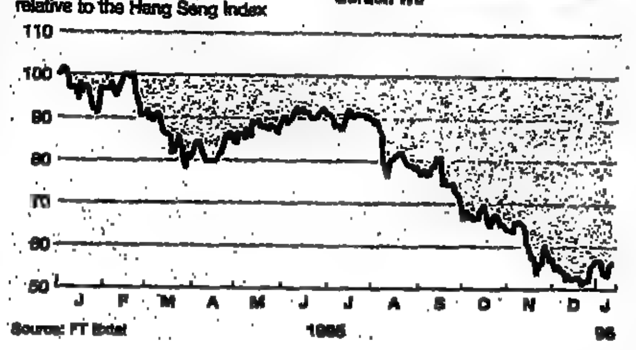
He said he planned to list Consolidated Real Estate in 1998. By this time, the Bangkok mass transit project – a 60km road and light railway – would be completed. Tenders have been called for rolling stock, he said.

"After many meetings of committees and many studies [the Thai government] now agree that my project is the best," he said. "They have an added incentive to see it finished as Bangkok will host the 1998 Asian Games."

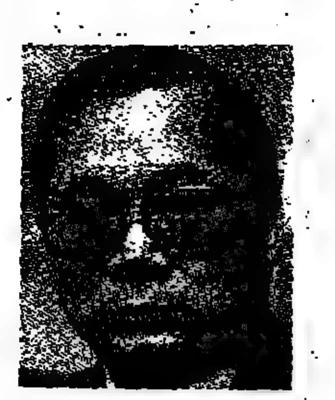
He said Consolidated Real Estate would have a south China and Bangkok land bank of about 10m sq m, most of it in prime locations.

Hopewell Holdings




Source: FT Extel



Gordon Wu

# Japan electronics makers lift output of flash memory chips

By Michiyo Nakamoto in Tokyo

Japanese electronics makers are stepping up production of flash memory chips, semiconductors used in portable equipment such as notebook computers and mobile telephones.

Sanyo, one of Japan's leading makers of flash memory chips, said yesterday it planned to increase output fivefold, from an annual 10m units last year to 50m in 1997.

The company will increase output at its semiconductor facility in northern Japan where it already manufactures the chips. Although Sanyo has not disclosed the amount of its investment, it is expected to be about Y30bn ($285m).

Sanyo plans to invest Y200bn in its overall semiconductor business by November 30 1998, Mr Yasuaki Takano, president, said.

With the increased production, the company expects semiconductor sales to grow from Y280bn in the year to November 1995 to Y400bn by the end of November 1998. This year, the group is aiming at semiconductor sales of Y310bn.

Meanwhile, Sharp is investing Y110bn in a new facility in south-western Japan to produce flash memory chips, the company said.

This will be the fourth such manufacturing base for Sharp, which tied up with Intel, the US semiconductor maker, in 1992 to jointly develop and manufacture advanced flash memory chips.

The new facility will have an initial production run of 10,000 8-inch wafers a month, going up to 20,000 at full capacity.

With the addition of the new plant, Sharp will have an annual capacity of 130m chips.

Flash memory chips are particularly suited to portable applications since they retain data even when the power is switched off.

Suppliers have not been able to keep up with demand for flash memory, which has been very strong on the back of increasing sales of portable electronic products from notebook PCs and electronic notepads to mobile phones.

The market is expected to grow to a value of about $464m by the year 1999, according to Dataquest, the high technology consultancy.

Intel is the world's largest manufacturer of flash memory chips followed by AMD, another US semiconductor maker.

However, Sharp said that in addition to increasing production of flash memory chips themselves, the company aims to build on its know-how and introduce products such as digital cameras, which use the same technology.

Sharp has been extremely successful with its consumer applications based on liquid crystal display technology. However, intensified competition in the LCD market has led to falling prices and lower profits from that business.

# Interactive Corp, NTT join forces

Nippon Telegraph and Telephone (NTT) of Japan and Interactive Corp of the US said they had formed a strategic partnership to develop multimedia communications services using infra-red ray technology, agencies report from Tokyo.

The companies said they had not yet decided on a schedule for commercialisation of the technology.

Meanwhile, Mr Masashi Kojima, NTT president, indicated there would be further multimedia-related deals when he announced the company "would like to proceed with bold tie-ups with domestic and foreign companies". He declined to elaborate, but said NTT would be seeking opportunities for offshore investment this year to speed globalisation of its telecom business.

Separately, NTT announced it was studying plans to cut its long-distance telephone call rate to below Y150 for three minutes from Y180. It intends to apply for ministerial approval this month.

# All eyes glued on Birla inheritor

## Investors hope Indian group's new head will repeat the success story of his late father, writes **Kunal Bose**

The succession at AV Birla group, India's second largest business after Tata, has attracted much attention. The untimely death of Aditya Vikram Birla, the group's chairman, resulted in the reins of power being handed to Kumar Mangalam Birla, his 28-year-old son.

The questions being asked in Indian industrial circles are how smooth the transition will be and how capable the new chairman is of running companies with a combined turnover of almost $3bn.

Kumar Mangalam's father, who died aged 52 last October, had been a champion of India's economic liberalisation. His strategy also involved developing operations overseas, as a result of which he was much sought after by foreign companies seeking joint venture partners in India.

Three years ago, however, when Aditya Birla began introducing Kumar Mangalam to the business, some thought his son would face resistance from senior group executives, many of whom had been there for more than three decades.

But it appears that this has not been the case. According to Mr Basant Kumar Birla, Aditya Birla's father, "the untimely death of my son, Aditya, created an extraordinary situation and his executives took no time in rallying round Kumar Mangalam".

"Some of them started their career under me," added Mr B. K. Birla, who runs a separate Rs40bn ($1.1bn) turnover group from Calcutta.

"For us, the most important thing is that Mr K. M. Birla is settling down in his new role smoothly. We find it reassuring that he is relating to the old guard nicely," said a Bombay-based banker.

The shares of AV Birla group companies did not, as was feared, come under strong selling pressure following Mr A. V. Birla's death, largely because signals from Bombay's Industry House, the group headquarters, were generally positive.

"The fall in group share prices has got nothing to do with Aditya Birla's death. The market in general has come under bear hammering," said Mr Navin Suchanti, managing director of Pressman Securities. "At least five AV Birla group scrips are among the most actively traded shares on the country's major stock exchanges and therefore, we want Mr K. M. Birla to move into the driver's seat quickly", he added.

Mr K. M. Birla is no greenhorn. A chartered accountant with an MBA, he was put in charge of Indo Gulf Fertilisers & Chemicals, producer of gas-based nitrogenous fertiliser, and the cement division of Grasim Industries, the group's diversified flagship company, by his father three years ago.

Mr K. M. Birla began his training under the watchful eye of his father when he was in his teens. "Any Birla scion will have his baptism of fire by putting up a new industry. Mr K. M. Birla was asked to set up a carbon black plant in Egypt and the unit is doing fine. He was also involved in building two cement plants in Madhya Pradesh and Rajasthan for Grasim," a senior group official said.

However, running a few units successfully and constructing plants on time does not necessarily mean the young inheritor will rise to the challenge of piloting a group which has a leading presence in several of India's core sector industries. It also owns large units in south-east Asia and Egypt.

The AV Birla group is India's largest producer of viscose staple fibre, white cement and carbon black, and the second largest producer of aluminium and rayon. The group has a predominant presence in textiles, several chemicals, including fertilisers, and grey cement.

As Mr B. N. Puranmalka, managing director of Indo Gulf Fertilisers, who has worked with the Birlas for more than 35 years, points out, "the group has basically stuck to textiles and process industries in which we have strength. We have stayed clear of consumer goods".

In several in-house strategy meetings, the late chairman told his executives that in the country's changing business environment, each group unit should pay greater attention to the size of operation, quality and cost.

According to company officials, father and son agreed the group should seek growth in areas such as oil refining, power, telecommunication and metals.

Mr B. K. Birla is now spending much more time in Bombay and is available to his grandson "for consultation whenever he needs me".

However, he said he had told Kumar Mangalam to look at companies in the group which had been underperforming in terms of profits and general efficiency. Mr B. K. Birla has also assessed the projects the group has in hand.

"Of course my son built a group in which most companies are making excellent profits. The exercise will take some time." He cited the sponge iron plant of Grasim, which because of teething technical problems could produce only about 405,000 tonnes last year, against a capacity of 750,000 tonnes.

The late chairman was preparing several projects. "But I think in the changed situation, the group should implement only those projects for which finances have been arranged and orders for machinery placed. The other projects are to be held back.

"My son could take any risk. But Kumar Mangalam is new in the game. His every move is watched. He has to be cautious," said Mr B. K. Birla.

Indo Gulf Fertilisers' copper smelter project involving an investment of Rs15.5bn is going ahead, as is the expansion of capacity of Hindalco's aluminium smelter, by 72,000 tonnes to 242,000 tonnes.

The group, which has formed two joint venture companies with PowerGen of the UK to build two 1,000MW coal fired power plants in Uttar Pradesh and Madhya Pradesh, is negotiating power purchase agreements with Indian state agencies.

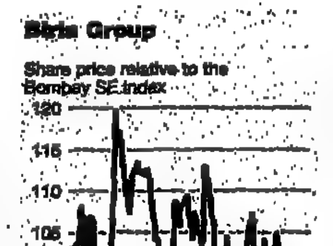
Mr B. K. Birla insisted that although he sits in Industry House, there was no question of there being dual control of the group.

"The executives can turn only to Kumar Mangalam for direction and advice," said Mr B. K. Birla, who will be waiting for an opportune moment to hand over his own Rs40bn group to his grandson.

Will Mr K. M. Birla turn out to be as good a businessman as Mr A. V. Birla? According to Mr Rama Prasad Goenka, chairman of RPG Enterprises, India's fourth largest business house, "give Kumar Mangalam time to settle down in his work and, who knows, he may even perform better than his legendary father.

"I let my two sons – Harsh and Sanjiv – run large companies independently when they were in their twenties and they outperformed me."

Birla Group




Source: FT Extel

## INTERNATIONAL COMPANIES AND FINANCE

# Slow progress seen in New York office market

By Richard Waters in New York

The New York office market, held back for much of this decade by high vacancy rates and falling or stagnant rental levels, is in the midst of a significant shift in ownership.

Two bankruptcy reorganisations – involving *Olympia & York's* US properties and the Rockefeller Center – are about to leave new investors in control of a considerable slice of New York's prestige office space. Yet it is hard to find anyone predicting an immediate rebound that will bring these new investors a quick profit.

Among those expressing caution is Mr Gordon Arnell, head of Carena Developments, the private Canadian group controlled by the Bronfman family that has emerged with control of a large part of the O&Y portfolio.

Carena became involved in the financial reorganisation through its one-third interest in three office towers at the World Financial Center, O&Y's flagship New York development. Now, having agreed to cede two buildings – at 237 Park Avenue and 1290 Avenue of the Americas – to a group led by Mr Leon Black, the Canadian group is left with control over the World Financial Center and four other O&Y office buildings.

Commenting on the prospects for the office property market earlier this week, Mr Arnell said: "I'm not a major optimist... I think the rate of recovery will continue to be quite slow in North America."

The rise in rent levels, he added, "will be almost imperceptible", with a "slow, steady improvement over time". Most of the improvement in effective rents would come about not from a rise in headline rents levels, which would hardly move, but from a reduction in the incentives landlords have used to attract tenants.

"New York is a tough and expensive place to do business... [But] I can't imagine a *major financial institution* trying to do business without a major presence in New York," said Mr Arnell.

Mr Richard Saunders, of real estate advisers Baring Houtson & Saunders, is among those who favours office markets in some of the big cities of the north-east over those in newer, more suburban areas elsewhere in the country.

He too, though, adds that investors will have to look over the longer term. "It's not going to change overnight – [the recovery] is going to be a bit more protracted than last time."

There is a rival view of New York's future as a commercial centre. This holds that computer power will eventually make such old-fashioned office centres redundant, as technology-driven industries such as finance fragment.

Proponents of this view will draw heart from comments made last month by Mr John Reed, chairman of Citibank. Known for his off-the-cuff, often futuristic remarks, Mr Reed mused in an interview that Citibank might be held back by being situated in an ageing city like New York: its senior managers might perform better if they were based close to the heart of the West Coast computer industry.

Citibank officials are quick to say that one of New York's biggest institutions is not considering leaving town.

# American General to lift loan-loss provisions

By Richard Waters

American General, the US financial services group, said yesterday it would add $215m to its provisions against loan losses, the latest sign that concerns about credit quality in consumer lending are beginning to invade the US financial industry.

The company, whose biggest operations are in insurance, said the provision would lift its allowance for loan losses at the end of 1995 to almost $500m in all, or 5.9 per cent of its receivables. A year before, the provisions had stood at $226m, or 2.9 per cent of receivables. The provisions relate to the group's consumer finance arm.

American General's move follows indications from the company in recent months that it expected bad debts to increase.

It has been one of a small number of companies in the consumer finance industry to report a marked deterioration in credit quality.

An increase in bad debts among consumers has also been apparent in official data in recent months, prompting warnings from some Federal Reserve officials that banks and others may have been too aggressive in their pursuit of new borrowers.

Credit card debt in the US increased by more than 25 per cent last year.

# Bowater set to defer price rise until April

By Bernard Simon in Toronto

An intense tug-of-war is under way between North American paper mills and their customers over a proposed newsprint price increase.

The first crack in the producers' ranks appeared this week with an announcement by South Carolina-based Bowater that *it plans* to raise its newsprint list price by $50 a tonne to $875 on April 1. Transaction prices are normally somewhat lower, as a result of trade discounts.

Most other North American producers had proposed a March 1 price hike. But, as the paper buyer for one large newspaper chain put it yesterday, "we're resisting March strongly".

Other producers are expected to follow Bowater's lead by delaying the proposed increase for a month. The big question however, is whether the industry will be able to push through an April price hike.

Bowater said the increase was based on "the condition of our order book" in domestic and overseas markets.

However, one US-based paper consultant said he doubted whether the April price increase would stick, unless newsprint mills soon start adjusting capacity to a recent downturn in demand.

Mr Mark Gibson, vice-president for paper marketing at Fletcher Challenge Canada, said his company would reduce newsprint output "if required", rather than trigger the aggressive discounting that is typical of periods of weak demand in the pulp and paper business.

Newsprint has so far escaped the sharp downturn in international pulp and paper prices since last summer, thanks mainly to the absence of new capacity. Transaction prices have climbed in the past 18 months from $410 to about $750 to $800 a tonne.

Several mills have helped buoy the market over the past year or two by switching machines to higher value paper grades. According to Mr Gibson, "the capacity reductions have more than matched reductions in usage".

However, the balance of power in the newsprint market has tilted towards customers in recent months. According to the Canadian Pulp and Paper Association, stocks held by US publishers grew to 47 days' supply last November from 31 days a year earlier.

US daily newspapers' newsprint consumption was 7.3 per cent lower in November than a year earlier. Papers have introduced a variety of measures to conserve paper, such as narrower web widths on printing presses.

# Electrolux buys control of Brazilian group

By Christopher Brown-Humes in Stockholm and Angus Foster in São Paulo

Electrolux, the world's leading maker of household appliances, yesterday gave a further push to its expansion drive in emerging markets by taking control of Refripar, Brazil's second-largest white goods manufacturer.

The Swedish group is buying 41 per cent of Refripar from Umuarama – a company linked with Mr Sérgio Prosdocimo, Refripar president – for $50m to build on the 10 per cent stake it acquired in the company in 1994. It plans to make a public offer for a further 37 per cent of the group at a potential additional cost of $45m.

This is one of the largest single investments by Electrolux outside its main North American and west European markets and is line with a strategy of substantially building up its presence in Asia, eastern Europe, Latin America and the Middle East.

Electrolux believes these "new" markets will offer significantly faster growth rates and better margins than its mature western markets.

The group is spending about $400m in China, India, south-east Asia, eastern Europe and Latin America as part of a campaign to double its sales in these markets to more than SKr20bn ($3bn) – nearly 20 per cent of turnover – from SKr10bn.

Further acquisitions are planned, although the pace of expansion is likely to slow in 1996 from last year's levels, Mr Leif Johansson, Electrolux chief executive, said yesterday. "Our focus will be on Asia and eastern Europe," he said.

Electrolux intends to turn Refripar, which had 1995 turnover of about $600m and is Brazil's market leader in freezers, into its Latin American base for white goods production.

The takeover marks a further consolidation of Brazil's white goods market. Brasmotor, the market leader, has Whirlpool of the US as a main shareholder while Continental, number three in the market, is controlled by Siemens of Germany.

Mr Lennart Ribohn, Electrolux vice-president, said: "We hope to enhance [Refripar's] product range, there are many more products which could be added, not just for Brazil but for surrounding export markets too."

Mr Prosdocimo, whose family has controlled Refripar since soon after its founding in 1949, said Brazilian companies could no longer compete with multinationals now Brazil's import barriers had fallen. Umuarama will retain 12 per cent of Refripar.

Commenting on demand in Electrolux's main markets, Mr Johansson said nothing had changed the group's pessimism about prospects since it presented its nine-month figures in November. Full-year figures are due later this month.

# AT&T split-up leads to resurrection of NCR

By Alan Cane

Once there was a venerable but worthy US computer manufacturer called NCR, one of the BUNCH companies including Burroughs and Univac which fought unsuccessfully with IBM for leadership of the global computer industry.

Yesterday the name and the company came back from the dead as a consequence of the break-up of AT&T, the largest US telecommunications company. AT&T bought NCR in 1991 and discarded the original name last year.

The new NCR is promising to reestablish its credentials in a market changed out of recognition. The change of strategy may lead to heavy redundancies among the 43,000 strong workforce in addition to the 7,000 job cuts already achieved.

Established more than 100 years ago as a cash register manufacturer, NCR had revenues of about $8bn and was profitable when AT&T bought it in 1991 after a bitter takeover battle.

The telecoms group was anxious to shore up its own failing computer business through the acquisition but after initial euphoria, the clash of cultures became evident. Mr Malcolm Roberts, managing director of NCR in the UK, said: "I would not call the experience a nightmare, but we all learned a lot."

The NCR name was abandoned to be replaced by "AT&T Global Information Solutions": most people agreed more than just identity was lost.

Today revenues are less than $6bn and the group is trading unprofitably. Mr Lars Nyberg, chief executive, warned that the name change would be no magic elixir: "Our return to profitability depends on our ability to deliver in the marketplace," he said.

Yesterday's developments are the result of AT&T's decision last year to split into three publicly traded companies: the core telecoms company, a manufacturing operation including Bell Labs and the computer business.

# Bausch sharpens focus for a clearer future

Things can only get better at Bausch & Lomb, the US maker of optical goods. The chairman and chief executive has quit; the Securities and Exchange Commission is probing allegations of accounting irregularities and a profits recovery has stumbled; and yesterday the company announced a $27m restructuring charge.

It would make a change, disgruntled investors might say, for the company's recent history has been a catalogue of disappointments.

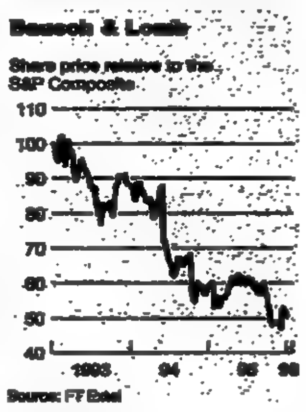
A few years ago, Bausch & Lomb's shareholders were enjoying rich rewards thanks to rocketing sales of contact lenses, its range of lens care products, and its classic Ray-Ban sunglasses such as the Wayfarers and Aviators.

That started to go wrong in 1994, when net profits tumbled from $156.5m to $13.5m because sales of Bausch & Lomb's contact lenses and sunglasses failed to meet projections. Faced with a worldwide glut of its products, the company had to bear the cost of buying back surplus inventories from distributors, or cutting prices to clear the unwanted goods.

Later, the US magazine Business Week alleged that the glut arose because Bausch & Lomb foisted large quantities of products on to its distributors in late 1993 to lift its results.

The magazine claimed the distributors were told they need only pay for the products when they were sold, yet Bausch & Lomb booked them as sales immediately. The move allegedly backfired when the distributors proved unable to shift the goods.

Bausch & Lomb acknowledged that certain items were inappropriately recorded as sales, but said it did not believe they were material to its 1993 results. However, the Securities & Exchange Commission has since started an investigation into the company's accounting practices. In October, Bausch & Lomb's board set up a special committee of outside directors to conduct its own inquiry.




Last year, Bausch & Lomb had hoped to bounce back from these misfortunes. But although the first three-quarters of 1995 appeared to mark a strong recovery from the previous year's poor results, the company warned last month that fourth-quarter earnings would be only 40 to 50 cents a share, far below the 75 cents predicted by analysts.

Mr Daniel Gill, chairman and chief executive for the past 13 years, tried to counter this setback by announcing a three-year strategic plan aimed at putting the company back on track. He also froze his top executives' pay and asked for his own pay to be cut by 10 per cent until earnings reached "an acceptable level".

By this time shareholders had had enough. After a stormy meeting with institutional investors last month, Mr Gill succumbed to the inevitable and offered his resignation. The board anointed a potential successor by promoting Mr William Carpenter, a senior executive who had joined only nine months earlier, to the post of president and chief operating officer.

According to Wall Street analysts, the cause of Bausch & Lomb's problems lie in its slowness to recognise important changes in its key markets, particularly that for soft contact lenses.

Contact lens wearers prefer new lenses because they are more comfortable and give better vision. Recognising this, Johnson & Johnson, Bausch & Lomb's big rival in the business, invested heavily in technology that enabled it to produce disposable lenses at an attractive price, leaving Bausch & Lomb trailing with an out-dated product.

Meanwhile, Bausch & Lomb's lens care solutions suffered from a combination of private label competition and the trend to disposable lenses, which required less care. And the Ray-Ban division was hit by a shift in fashion from classic sunglasses towards rapidly-changing designs and racier, sports-oriented styles such as those made by the California-based Oakley.

Bausch & Lomb is now, if belatedly, reacting to these developments. It has come up with its own disposable lens called the SoftLens66 and is developing ways of mass-producing it; it is building a new family of sunglass brands aimed at the faster-growing portions of the sunglass market; and it is managing its lens care business for cashflow and moderate growth.

It is also cutting costs. Yesterday the company announced it would take a restructuring charge of $75m, or 30 cents a share, against fourth quarter earnings to cover the cost of plant closures and reorganisations aimed at restoring the lossmaking contact lens business to profit. It also said it was axeing 35 headquarters jobs and selling one of the two company jets.

However, Mr Lawrence Keusch, analyst at Goldman Sachs, says the biggest concern remains the contact lens business, where Johnson & Johnson is planning to spend close to $400m on new manufacturing capacity in the next three to five years.

Bausch & Lomb is hoping its contact lens business will be generating $75m a year in operating profits by 1998. "But when you have a competitor out there like Johnson & Johnson," says Mr Keusch, "you have to ask how easy that is going to be."

**Richard Tomkins**

Films such as the Blues Brothers gave cult status to Ray-Bans



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Sainsbury chief splits posts to try and halt decline in volumes

# Christmas sales fail to please

By Neil Buckley

Differing experiences in the retail sector were reflected in announcements yesterday by three leading companies in the market.

Both Next and Dixons reported strong Christmas seasons whereas J Sainsbury shook up senior management and redefined its chairman's role in a move designed to halt the decline in sales volumes and market share.

Next, the clothing retailer and mail order group, said strong Christmas trading had helped produce another set of good sales figures for the second half of 1995.

Dixons, the UK's biggest electrical retailer, reported a 41 per cent increase in interim pre-tax profits and strong Christmas trading. However it saw its shares fall sharply as it failed to meet the best City forecasts.

Mr David Sainsbury moved to divid his role of group chairman and chief executive of the UK's biggest grocery retailer but created two chief executives to head different sides of the business.

The move failed to satisfy institutions and analysts who had called for a clearer split and the appointment of a single group chief executive. That, coupled with confusion over a statement from Sainsbury which did not fully explain the changes, caused the shares to slip 1p to 388p.

At Next total sales in the high street retail division from July 30 to December 30 rose 13 per cent, from selling space which increased 4.5 per cent. Sales in Next Directory, the mail order business, were up 17 per cent.

However the shares fell 16p to 437p, as it failed to match the City's most optimistic forecasts of a double-digit like-for-like sales increase in the retail division.

Mr David Jones, chief executive, said the performance of all Next's businesses – women's wear, men's wear, children's wear and home furnishings – had been equally encouraging.

But he warned that consumers remained highly cautious and selective. "People are not eager spenders. But they look around and they buy value and they buy quality", he said. Next's two-week post-Christmas sale had gone well, and the spring and summer ranges were already being introduced into stores.

Dixons reported profits for the 28 weeks to November 11 up from £26.6m to £37.5m ($58m), while sales for the first eight weeks of the second half, including Christmas, increased 23 per cent in total and 10 per cent on a like-for-like basis, excluding new stores.

The shares, which, in common with many large retailers, have performed strongly in recent weeks, fell 14½p to 409½p.

Ashley Ashwood

John Clare, right, and Robert Shrager, Dixons' finance director

Analysts said reports of strong Christmas trading had pushed expectations for retailers' trading statements too high.

"There's no way you could make a negative comment about anything Dixons said today," said Mr Tony Shiret, retailing analyst at BZW.

Group turnover increased 15 per cent from £745.7m to £855.7m.

Sales in Dixons, the high street chain which is being focused on "personal" and "portable" electronics such as cameras, personal hi-fi and mobile phones and laptop PCs grew 11 per cent in total to £262m. Like-for-like sales rose 9 per cent .– compared with a decline of 2 per cent in the comparable period.

Mr John Clare, group chief executive, said Dixons had benefited from the change of focus, and from store refurbishment.

In Currys, the out-of-town superstore division which is focused on larger brown and white goods, total sales increased 15 per cent to £464m. Like-for-like sales were up 10 per cent, the best performance for some years.

# Granada and Forte on final leg of bid race

By David Blackwell and Scheherazade Daneshkhu

The takeover battle between Granada Group and Forte, the UK's largest hotels company, intensified yesterday as the two groups set out on the final leg of the race to win investor support.

Granada, the TV, leisure and catering group which has raised its hostile bid to £3.78bn, called on Forte to clarify the "muddled thinking" in its defence, particularly over dividends. The hotels group accused Granada of abandoning its "previous so-called strategy" and becoming a forced seller of assets.

Meanwhile, institutional shareholders in London and Scotland were preparing tough questions for both sides.

Some were incensed by Granada's promise of a £50m payment to buy out the voting control of the Council of Forte.

One institution described the figure as "considerably out of court". Another said that the sum, coming out of shareholders' pockets, suggested that Forte shares had been worth 5p less than previously believed.

Several institutions said that if Forte retained its independence and then sought to buy the council's voting rights, they would not support the offer of a similar sum.

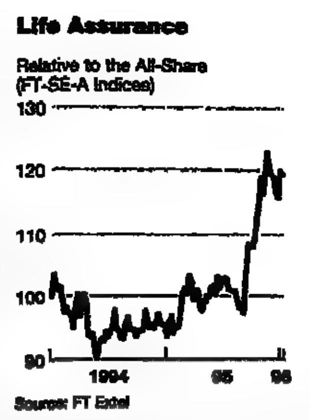
Granada shares rose 16p to 653p yesterday, with large purchases by several institutions, including Mercury Asset Management. MAM, which also bought Forte shares yesterday, could play a pivotal role in the outcome as it holds 14 per cent of Forte and 14.5 per cent of Granada.

Forte shares were up 9p to 360p – close to Granada's cash alternative of 362p.

Granada attacked Forte's dividend promises, suggesting that in order to match Granada's dividend cover of 3.5 times, Forte's pre-tax profits would have to be £287m – an increase of 147 per cent. In its defence document Forte said it would pay a dividend for this year of 8.5p on forecast pre-tax profits of £190m.

LEX COMMENT

## Life assurance




The Personal Investment Authority's initiative to simplify the way investment products have to be sold is good news. One year after the introduction of the new disclosure rules, it is clear that the process is ludicrously complicated. It can take a life assurance sales agent three hours to fill in 30 pages of questionnaire, irrespective of whether the customer wants a fundamental review of his finances or just to put some money into a unit trust. Part of that is due to the belt-and-braces approach of life assurers following the scandal over pensions mis-selling. But it is also the result of a plethora of new rules imposed in the name of investor protection. The PIA now intends to cut back much of that regulation by reducing lengthy forms to a checklist of minimum requirements, which could vary depending on the complexity of the product; by rewriting its rulebook so it is less prescriptive; and by using new technology to simplify the way it monitors members.

The regulator's aim is to make it easier for consumers to buy the right products. But the spin-offs for the life assurers should be considerable.

Complying with the disclosure rules costs the industry roughly £200m a year at present. A more efficient sales process would boost productivity. And there is anecdotal evidence that business is being lost, because individuals who find the whole experience too complicated leave their money in the bank. The PIA's move should underpin the sector's recent outperformance.

# Börjesson will step in at Rexam

A new chief executive and non-executive chairman were announced yesterday by Rexam, ending speculation over the two top jobs at the paper and packaging group, writes Christopher Price.

Mr Jeremy Lancaster, 59, who steps down from the board of Wolseley, the building materials group, in July, will become chairman of Rexam on the retirement of Mr Mike Woodhouse at the annual meeting in May.

Rexam, which has issued two profits warnings in four months, also named Mr Rolf Börjesson as chief executive. Mr Börjesson, 53, has been the chief executive of PLM, the Swedish packaging group, since 1987. He replaces Mr David Lyon, who is retiring in June, but will continue as a non-executive director.

# Kingfisher to pay £59.3m for 20% holding in BUT

By Peggy Hollinger

Kingfisher, the high street retailer, is to expand in France through a £59.3m deal to buy a 20 per cent stake in BUT, a furniture and electrical goods retailer.

Mr Geoff Mulcahy, chief executive, said the deal was a "real opportunity, and a sensible way to build on the success of Darty [ France's leading electrical goods company which is a Kingfisher subsidiary]". It is understood Darty had been seeking a stake in family-owned BUT for some time.

Shares in Kingfisher fell 18p to close at 544p. The fall was initially sparked by fears over the group's trading statement, due next week, after a disappointing profits increase yesterday from rival Dixons, the electricals group.

However, some analysts also suggested that the deal to take a stake in BUT, which has 232 mixed format stores, had left Kingfisher vulnerable to criticisms of overpaying.

Kingfisher has the right to take control after two years at a price to be determined.

"It looks like they are paying a very full price, for what is a very good business," said one analyst. "But it is difficult to justify in terms of return on capital."

The two companies are very different retailers, with BUT heavily driven by promotions.

Last year, BUT made profits of £23.9m on sales of £1.1bn, including fees from franchises.

# Whitbread trading on target

Both sales and profits of Whitbread for the Christmas period were in line with expectations and ahead of last year, although market conditions were variable, said Mr Peter Jarvis, chief executive. Outlets in the high street and on retail parks performed most strongly.

He said the beer side achieved sales volumes significantly ahead of last year.

## RESULTS

| | | Turnover (£m) | | Pre-tax profit (£m) | | EPS (p) | | Current payment (p) | Date of payment | Corresponding dividend | Total for year | Total last year |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Banks (Sidney C) | 6 mths to Oct 31 | 133.5 | (123.8 ) | 2.41 | (1.48 ) | 17.8 | (11.2 ) | 4 | Apr 4 | 3.5 | - | 10 |
| Dixons | 28 wks to Nov 11 | 855.7 | (745.7 ) | 37.5 | (26.6 ) | 5.9 | (3.7 ) | 2.05 | Mar 4 | 1.8 | - | 7.25 |
| Ewart | 6 mths to Oct 31 | 3.73 | (2.68 ) | 0.71 | (0.51 ) | 1.87 | (1.86 ) | 0.5 | Mar 7 | 0.5 | - | 1.1 |
| Ingham | 6 mths to Sept 30 | 13.3 | (13.9 ) | 1.09L♠ | (0.853L♠) | 8.6L | (3.2 ) | nil | - | 1.75 | - | 3.5 |
| Jersey Electricity | Yr to Oct 1 | 39.5 | (39.3 ) | 3.43 | (4.93 ) | 213 | (310 ) | 25# | Feb 27 | 24# | 39# | 38# |
| M&W | Yr to Oct 1 | 107.6 | (85.8 ) | 2.68♥ | (2.61♥ ) | 10.89 | (10.64 ) | 2.25 | Feb 23 | 2 | 5.5 | 3.25 |
| Ryland | 6 mths to Oct 31 ★ | 154.8 | (118.1 ) | 1.55 | (1.16 ) | 3.55† | (3.42 ) | 1.17 | Apr 9 | 0.27 | - | 2.62 |
| Savills | 6 mths to Oct 31 | 18.5 | (17.6 ) | 1.84 | (1.9 ) | 3 | (3.1 ) | 0.75 | Feb 27 | 0.75 | - | 2.5 |
| **Investment Trusts** | | NAV (p) | | Attributable Earnings (£m) | | EPS (p) | | Current payment (p) | Date of payment | Corresponding dividend | Total for year | Total last year |
| Fleming Geared Inc | 6 mths to Nov 30 | 295.9 | (287.3 ) | 0.042 | (0.199 ) | 0.25 | (1.28 ) | 0.75 | Feb 29 | 0.75 | - | 3§§ |
| Fleming Intl High | 6 mths to Nov 30 | 46.35 | (39 ) | 2.45 | (1.98 ) | 2.10 | (1.77 ) | 1.15 | Feb 28 | 1 | - | 2.7 |

Earnings shown basic. Dividends shown net except #Gross. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. ★Comparatives restated. †On increased capital. §§Includes 0.9p special dividend

DIGEST

## CRH spends I£38m in US and Europe

CRH, the building materials group and one of the Republic of Ireland's largest companies, has announced a package of acquisitions and investments worth I£38m ($60m).

It is spending I£14m in the US to expand manufacture of masonry products at its Arizona and Indiana plants, to build a new concrete pipe plant in North Carolina and install a glass laminating line at its Tampa architectural glass plant in Florida.

CRH is also investing I£12.4m in mainland Europe. This includes a I£5.2m purchase, including debt, of Grillo Bausysteme, a German rooflight manufacturer. CRH has also bought Vabofoam, a Belgian manufacturer of extruded polystyrene insulation in a deal worth I£5.9m.

Keyline, the company's UK builders' merchants subsidiary also announced the purchase of a further 23 branches for a total cost of I£11.6m. This increases the size of Keyline's branch network to 100. *Andrew Taylor*,

## Tarmac/Wimpey nearer swap

Tarmac and George Wimpey are on the verge of signing contracts to swap their housebuilding, quarrying and contracting businesses, allowing the biggest shake-up this century of the UK construction industry to proceed.

Due diligence studies have almost been completed by both groups, with only one or two marginal issues to be resolved, none of which would prevent an asset exchange proceeding.

Contracts could be signed as early as next week. A circular would then be sent to shareholders detailing terms of the transfer. *Andrew Taylor*

## Sema drops Cisi buy

The planned purchase of Cisi, the French systems integration and outsourcing company, by Anglo-French computing group Sema has been abandoned after unions representing Cisi employees rejected the sale. The deal was thought to have been worth about £60m.

In a brief statement issued yesterday, Sema said that negotiations between the two companies had been terminated "at least for the time being". Sema announced the deal in mid-October.

The failure of the talks is a blow to Sema, which had intended the purchase of Cisi – the computer services arm of the Commissariat à L'Energie Atomique, the French government agency – to strengthen its interests in the defence and space technology sectors. *Patrick Harverson*

## Aon buys insurance portfolio

AA Commercial Insurance Brokers has sold its insurance portfolio to Aon, the US-based broking group, for an undisclosed amount.

The operation is estimated to have turnover of about £750,000 and is likely to have been sold for about £1m. Mr Mark Wood, managing director of AA Insurance, said he was anxious to concentrate on its "core" business as a personal lines intermediary. *Ralph Atkins*

# Vibroplant sells US offshoot to Primeco for $69m

By Peter Pearse

Shares in Vibroplant climbed 7p to 81p yesterday as the plant hire group announced it was to sell American Hi-Lift, its US operations, to Primeco for $68.8m, including debt.

In the interim results to September 30, pre-tax profits of the US side increased sharply to £2.31m (£784,000), compensating for the downturn to £1.37m (£2.43m) from UK operations and enabling the group to report a 14 per cent pre-tax profits rise to £3.68m.

However, Mr Jeremy Pilkington, chairman, said that Vibroplant's three-to-five-year aim was to achieve leadership in its markets in the UK: that put the sale on the cards.

He added that the selling price was a high one because the business was performing well, having benefited from £29m of capital expenditure in the 18 months to September 30. American Hi-Lift hires and sells aerial lift equipment and is mainly represented in Texas, California, Florida and Georgia.

The selling price of $46.5m consists of a pre-sale dividend of $15m, a management charge of $1.7m and $29.8m cash. Debt at November 30 was $22.3m.

The consideration will wipe out Vibroplant's borrowings (excluding finance lease debt) and will leave the group with £20m of cash, before any tax is payable on the sale. Mr Pilkington, whose family controls some 51 per cent of group equity, said the money would help the UK operations grow organically and by acquisition. He thought the UK plant hire market was "tough and getting tougher, with volumes down and prices off".

# Float discussions stepped up by FI

By Paul Taylor

FI Group, the private computer services group, is stepping up consultations with its 1,600-strong workforce about a possible flotation.

The group, which also announced a 38 per cent increase in first half pre-tax profits to £2.09m ($3.2m) has appointed UBS in addition to Granville, its existing merchant bank, as financial advisers and has launched a nationwide roadshow to explain the advantages and disadvantages of flotation.

About 80 per cent of the company's employees are shareholders, controlling 54 per cent of the equity.

No timetable has been set, although prospects for an early move may have been enhanced by the positive market reception to the CMG flotation last month, and the latest results.

Turnover for the group, which provides a range of "outsourced" IT services and training, rose 32 per cent to £37.4m in the six months to October 31, while operating profits increased 38 per cent to £1.97m.

Ms Hilary Cropper, chief executive, said 1995 had been a year of high growth with 14 large customers added in the second half and a particularly strong order intake.

# £6.5bn vintage year for IT deals

By Alan Cane

1995 was a vintage year for mergers and acquisitions in the information technology business, with record numbers of transactions in Europe and the UK. M&A experts believe 1996 will prove at least as good as the drive towards globalisation in the industry continues.

According to Regent Associates, which specialises in IT acquisitions and alliances, some 348 acquisitions were announced in 1995, a 23 per cent increase over the previous year.

The deals were worth a combined £6.5bn, 49 per cent ahead of 1994.

Mr Peter Rowell, Regent Associates' managing director, said the communications market was especially active.

"US companies in particular are ensuring that they have access to the latest ISDN (high transmission capacity) and Internet products, and are prepared to pay premium prices for companies which own leading edge technologies," he said.

The largest deals were Cable and Wireless's purchase of 45 per cent of Vebacom of Germany for £852m, and the £679m purchase of SBC Cablecomms by TeleWest, the UK-based cable operator.

Regent said the software and services sector was busiest, with almost half the deals, but the communications sector showed the greatest growth.

The period was also notable for substantial rationalisation in the electronic systems and components distribution sector. "Suppliers are recognising the importance of economies of scale in countering the effects of reducing prices," said Mr Rowell. "The newly floated Datrontech was one of the most active acquirers, with five transactions in four countries consolidating its position as a leader in memory distribution." If the first week of the new year was an indicator, M&A activity would be stronger than in 1995, he added.

Merger activity in Europe was now several times greater, according to Broadview Associates, the US-based M&A specialist.

It said that smaller European firms were looking for international partners to deliver the capital and resources not readily available through flotation or venture capital. "For many large international companies, acquiring successful European firms brings needed specialist skills and proven technologies."

A result has been a continuing decline in the number of top European-owned IT companies. In 1988, 10 of Europe's top 30 software houses were subsidiaries of US firms; by 1994 the number had almost doubled to 19.

According to the publication System House, there is now no wholly owned UK software and services company among Europe's top 25.

# Electric cars get a plug

Ford and Chrysler are collaborating on a common charging system for the electric cars expected to take to California's roads later this decade. The aim is to avoid the emergence of competing charging systems which would make it more difficult for electricity utilities to install a viable recharging infrastructure.

"The goal is to avoid the VHS versus Beta problems we saw with early video tape technology," according to John Wallace, director of Ford's electric vehicle programme. A key feature of the company's charging system is a connecting plug designed to be safe in all weather conditions.

It was designed and developed by SCI Systems, the US electronics contract manufacturer, to outline specifications agreed jointly between Ford, Chrysler, five other car makers, electricity utilities and the California Air Resources Board, which is in control of the state's clean air legislation. General Motors has developed a separate system through a subsidiary, Hughes.

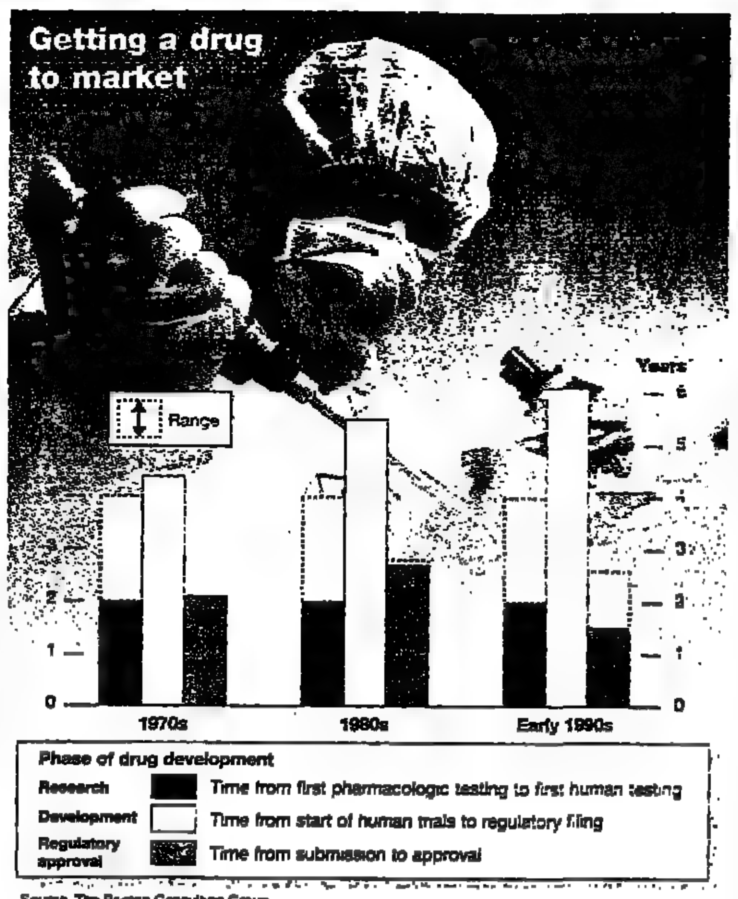
It is intended that the group's equipment will serve as the basis for legislative standards to be drawn up by the US's Society of Automotive Engineers and to be proposed for international standards development.

The working council is pressing ahead with the development of a charging infrastructure despite the air resources board recently backtracking on legislation which would have required 2 per cent of a carmakers' sales in California to be of "zero emissions vehicles" (ZEVs) starting in 1998.

Meanwhile, Ford is advancing its overall design and development capabilities through a new technology relationship with Structural Dynamics Research Corporation of the US.

SDRC is supplying Ford with its latest computer-aided design, manufacturing and engineering software, services and processing to enable Ford to integrate its design automation under its so-called "C3P" programme.

**John Griffiths**



Source: The Boston Consulting Group

# Testing times

## Drugs companies are being forced to become more efficient at drug trials, says **Daniel Green**

Drug testing can make or break a pharmaceuticals company. UK company Boots, for example, sold its drugs business in 1994 after the failure in the final stages of testing for its heart drug Manoplax.

US biotechnology company Synergen collapsed in the same year when its septic shock drug failed at a similar stage. Other biotech companies have succumbed to similar fates.

At the same time, the people good at running clinical trials can make fortunes for their employers. Every drug that reaches the top 100 best-sellers can count on eventual revenues of $1m (£600,000) a day. Since the lifespan of a drug is limited to 20 years of patent protection, each day cut from testing creates an extra day of patent protected sales. An extra week means a lot of extra revenue.

According to the industry-sponsored UK Centre for Medicines Research, it takes 11½ years for a typical drug to pass through basic research, clinical testing and regulatory approval. The time needed for basic research may now be getting shorter, thanks to a better understanding of the structure and functions of drug molecules.

At the same time, regulators are working more quickly, partly under pressure from patient lobby groups and partly as a result of computer analysis of drugs trial results.

The net effect, according to Boston Consulting Group, the management consultancy, has been to increase the proportion of pre-product launch time taken up by clinical trials from 46 per cent in the 1970s to 55 per cent in the early 1990s.

Stuart Walker, director of the Centre for Medicines Research, says that drugs companies have woken up to the problem. "The aim for the main companies is to cut the time a drug spends in clinical trials from almost seven years to five," he says.

Yet clinical trials managers face increasing pressures to lengthen, not shorten, trials.

- Regulators demand ever more rigorous tests with more people and greater statistical reliability. According to Peter Farrow, senior director of European clinical development for US drugs company Pfizer, "the average amount of data included in the submission to regulators is up four-fold over the past decade".
- Pharmaceutical marketing departments want extra information about a drug's performance. If economic data show that a new drug can cut costs elsewhere in healthcare – perhaps in allowing a hospitalised patient to go home sooner – they can charge a higher price. They also want quality of life data. For an arthritis drug to be put on a hospital's list of first choice drugs, it is not enough that a patient has less pain and more mobility. The drug's effect must be measured on scales that cover everything from psychological well-being to whether the patient can carry shopping home.
- Senior management wants to move into untapped markets with drugs for conditions that are poorly treated. But many of these "new" diseases act slowly. Jörg Reinhardt, senior vice-president of international development at Swiss drugs company Ciba, says it can take two-and-a-half years to conduct a single large-scale trial on a disease such as Alzheimer's.

Fortunately for the industry, there is plenty of room for improvement, says one senior pharmaceutical industry watcher. "They [drugs companies] have been inefficient in the past because they have been too successful. They have been able to make money without trying to become more efficient."

At the core of the effort to improve is information technology. Reinhardt says a typical large drugs company spends £20m-£50m on information technology in capital costs alone.

The aim is to allow data to be collected electronically at the hospital. The data can then be transferred to a central location and analysed rapidly. The period between the end of a trial and the completion of statistical analysis can be cut from months to weeks. Reinhardt says the total time consumed by trials could eventually be cut by 20 per cent or 30 per cent.

In addition, fewer different trials are being conducted. National regulators are increasingly willing to accept results from trials held in foreign countries. Companies have found it cheaper to conduct all trials to the same standards, even if this means using higher standards than might be necessary in some markets.

The increasing importance of clinical trials has triggered the emergence of a new industry, contract research organisations (CROs), which specialise in running trials.

CRO sales are rising at 15 per cent a year, according to Boston Consulting Group. This year's revenues in the US alone will be $1.8bn. CROs are no cheaper than in-house drug development, says Farrow. But they are faster because the drug company does not need to recruit staff to run the trials.

To move beyond the changes that are already under way, both in-house drug developers and CROs are beginning to pick apart the components of clinical trials. Some changes are simply adopted from other industries. Walker says benchmarking – in which several companies' methods are compared to try to identify best practice – has caught on in the drugs industry as never before.

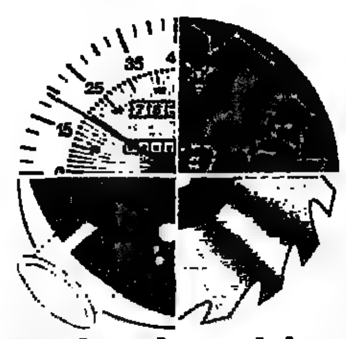
Elsewhere, the very basics of trial design are being questioned. Geoffrey Tucker, from the Department of Medicine and Pharmacology at Sheffield University in the UK, last year questioned the standard practice of recording the responses of patients to one size of dose. A range of doses, to try to take account of differences in the metabolism between individuals, might be more difficult medically and statistically, but it could be more economical.

That still leaves the question of whether to bother researching drugs in disease such as Alzheimer's, where testing can take much longer than with, say, antibiotics.

Increasingly, companies are taking the more difficult option, largely because areas that are easy to test are already crowded. Companies that do so ensure their portfolio of drugs in development is balanced by research where testing is quick, such as in cancer or vaccines.

The feeling in the pharmaceuticals industry is that the work on improving the efficiency of drug testing has only just begun. Information technology will continue to spread. Contracting out to CROs will gain further in popularity. The push into new diseases will redouble the emphasis on benchmarking. The reward for success is $1m a day.

# Worth Watching · Vanessa Houlder



## Plants using sulphur to fight fungus

Gardeners have long used sulphur on plants to curb fungal infections. Now scientists have discovered a mechanism by which a plant naturally accumulates sulphur to protect itself from disease.

When scientists from the Universities of Bath and Bristol in the UK investigated disease-resistant strains of cocoa, they found that sulphur was concentrated in tissues, such as the vascular system, likely to come into contact with pathogens from the roots. Cocoa is highly vulnerable to fungal infections, with a quarter of the world's production of cocoa lost to disease every year.

This is the first time that inorganic elements have been directly implicated in disease resistance, other than by strengthening plant cell walls, according to a report on the work in today's Nature.

*University of Bath: UK, tel (0)1225 826826; fax (0)1225 826449.*

## Caught by 1bn images a second

German scientists have developed an ultra high-speed camera capable of recording 1bn images per second.

PCO Computer Optics, a Kehlheim-based company, and the Fraunhofer Institute for Material Physics and Thin Film Technology have designed the camera for studying extremely fast events such as ignition and combustion.

Although modern video cameras can record thousands of images per second, they are not fast enough to capture the exact sequence of rapid events, such as dispersion of carbon monoxide through an engine.

The high-speed camera uses four charged coupled device recording chips – the photo-electric circuitry which transforms light into electronic data – instead of the usual one. It also uses a long-range microscope as a lens, which allows details as small as a few hundredths of a millimetre to be seen from a distance of 1m.

*Fraunhofer Institute for Material Physics and Thin Film Technology: Germany, tel 351-4636104; fax 351-4659546.*

## Mould may plague "sick" buildings

Exact causes of "sick building syndrome", an ailment which tends to occur in sealed, air-conditioned offices, have proved difficult to pin down.

The complex nature of the problem has been underlined in work by the Georgia Institute of Technology which suggests that building materials are sometimes wrongly held to blame.

The syndrome, which causes irritated eyes, fatigue and itchy skin, is often associated with volatile organic compounds such as hexane, methylene chloride, benzene and acetone. These are usually assumed to be emitted from building materials, paints and cleaning supplies.

But the Georgia Institute of Technology found that the metabolic gases emitted from moulds and fungi growing inside buildings may be a significant source of these airborne volatile organic compounds.

Many of the volatile compounds produced by the cultured fungi were identical to those originating from solvent-based building materials and cleaning supplies.

*Georgia Institute of Technology: US, tel 404 8943444; fax 404 8946983.*

## Program hits the right note on paper

A computer program that turns musical performances into printed sheet music could speed up the production of scores by composers, arrangers and publishers.

Sibelius Software, based in Cambridge in the UK, has already written programs which could write a score if the music was played in a precise fashion, one note at a time. The new program can distinguish between lengths of notes and variations in a performer's rhythm and speed.

*Sibelius Software: UK, tel (0)1223 302765; fax (0)1223 351947.*

## COMMODITIES AND AGRICULTURE

# MMC milk market investigation called for

By Deborah Hargreaves

Northern Foods, one of the UK's largest dairy groups, yesterday called for a full investigation by the Monopolies and Mergers Commission into the supply of milk in England and Wales following the abolition of the government's statutory purchasing body in 1994.

The company said that Milk Marque, the voluntary farmers' co-operative that succeeded the Milk Marketing Board "has abused its monopoly position to increase raw milk prices without any regard to market forces". The Office of Fair Trading is reviewing the milk market and will soon decide whether to refer the industry to the MMC.

Dairy companies have been very critical of Milk Marque's sales system as it resulted in price increases that cut into their profits. Many companies say they have been forced to close dairies and cut jobs.

Mr Neil Davidson, group executive of Northern Foods and president of the Dairy Industry Federation, said yesterday: "Our major complaint as processors is not that prices are too high *per se*, but that the selling system Milk Marque has imposed on the industry allows it unilaterally to set the price of our raw material."

He told a select committee of MPs that prices had not been artificially low under the old selling system even though UK prices were among the lowest in the European Union. "The acid test is farm incomes and the UK was consistently at the top of the dairy farm league beaten only by Holland."

Dairy company officials also criticised Milk Marque for paying its farmers to produce more butterfat when consumers favour low fat products. Mr Davidson said the milk board had been totally unresponsive to changes in consumer demands and farmers were getting the wrong signals over what to produce.

"Dairy companies have to get rid of this dollop of fat and will find the most profitable market for it," said Mr Davidson. That market had been in supplying butter to Russia over the past year, he said.

Mr Andrew Dare, chief executive of Milk Marque, later countered that this was not the case. He said the milk board and now Milk Marque had changed its payments to farmers in favour of protein content rather than fat.

Mr Dare said the dairy industry's complaints about Milk Marque's selling system were "disgraceful". Milk Marque was forced to introduce a bidding system in the first place by the OFT because it controls more than 25 per cent of supply. "Nothing would give me more pleasure than to negotiate individually in the way the dairy companies want," he said.

# Indian tea import debate still on the boil

## Planters are resisting plans to release more quality leaf for export, writes Kunal Bose

The debate about whether India, the world's largest producer, should allow the import of tea refuses to die down. A core committee constituted by the Tea Board to recommend measures for raising India's share of global tea trade to 25 per cent by the year 2000 favoured the import of plain tea, so as to release a larger quantity of quality Indian tea for sale abroad.

But following the leaking of the committee's report the Indian associations of tea producers announced that their representatives had "dissociated themselves from the committee since the report does not reflect their point of view. The free import of tea will not be in the interest of the local industry".

The reaction of the industry to the import suggestion was so strong that the Tea Board had to issue a clarification that there would be no tinkering with the existing policy of restricting the import of tea to the export processing zones or by the wholly export-oriented blenders for the purpose of re-export with a minimum value addition of 45 per cent.

Moreover, the board has constituted a three member committee consisting of Mr S.S. Ahuja, the board's chairman, Mr R.K. Krishna Kumar, managing director of Tata Tea, India's largest plantation group, and Mr Harish Parikh, former chairman of tea broker J. Thomas, to "redraft the export strategy paper".

**'The free import of tea will not be in the interest of the local industry'**

According to Mr S.K. Bhasin, chairman of the Consultative Committee of Plantation Associations, "the report of the committee is flawed since the thesis on free tea import has been built on the setback in Indian tea production and export last year and also in the current year. The shortfall in production in two consecutive years is attributable to adverse weather condition and the emphasis on making quality tea. The disintegration of the Soviet Union, which used to buy over 100m kg of tea from India, has been responsible for the fall in export. However, India is selling a lot more tea to the Commonwealth of Independent States in the current year than in 1994".

Whatever the reaction of the tea producers to the core committee's report, domestic consumption will take up nearly 600m kg of the current year's production of 730m to 735m kg. Taking into account the opening stock of about 20m kg, that will leave no more than 165m kg available for export, compared with last year's 148.64m. And there will be no carry-over into the next season.

The committee has assumed that Indian tea production will not be growing fast enough to allow the country to export 300m kg in 2000 after taking care of a domestic demand, which is increasing at an annual rate of 3 per cent. For all practical purposes, the industry has given up chasing the century-end production target of 1,000m kg.

The CCPA is in agreement with the committee's observation that the increase in tea production has come about largely from the improvement in productivity. "We could have done much better on the production front had we been given the land that the CCPA has identified in each producing state for growing tea," said Mr Bhasin.

According to one estimate, an additional 50,000 hectares of land, mostly in the vicinity of the existing tea estates, could be brought under tea cultivation. The total area under tea now is over 425,000 hectares.

According to Mr Krishna Kumar, "more important than chasing volume, our export effort should be focussed on higher unit price realisation by way of pushing as much tea as possible in value added form. It is time the world's largest tea producer had developed a few globally known brands. The important thing is how much foreign exchange we earn from tea export and not the volume of export. The planned launch of 'India Blend' by a consortium of producers with support from Tea Board in Russia and other CIS constituents is a move in the direction of promoting India's own brands of tea."

The Tea Board has also accepted the suggestion of the producer-exporters that there should be "geo-specific exporters' groups" to promote the sale of bulk tea as well as value added and branded tea in each important market. The markets that will get special attention are the CIS, western Europe and western Asia.

"Import of tea will lead to a fall in domestic tea prices, particularly of the plain and inferior varieties," Mr Bhasin said. "This will spell disaster for the small gardens and producers of plain tea. We don't think there could be an increase in Indian tea production if the government allows import."

However, the committee has said in its report that "once the production base is established in line with our requirements and our prices are at international levels, we would become more selective and regularise our import of tea".

The biggest flaw in the report, according to Mr Bhasin, was that it had not taken into account the growing Indian preference for quality tea, for which consumers were ready to pay premium prices.

While India continues to pursue a highly restrictive tea import policy, it allows the import of other essential items like edible oils, fertilisers and sugar to supplement domestic supply. "It will be wrong to bracket tea with any other commodity since tea has never been in short supply in the country. Moreover, we grow all kinds of tea to make any kind of blend," said Mr Bhasin. Many, however, think that the acceptability of Indian blends in most markets will improve if they have better "liquoring properties". They say the problem can be overcome by importing tea from Kenya.

# Gold breaks the $400 barrier

By Richard Mooney

The speculative assault on the gold price barrier at $400 a troy ounce succeeded yesterday, when the London Bullion Market price touched a 29-month high of $402 an ounce. But the speculators' triumph was short-lived. By the close the price had edged below that psychologically significant level on profit-taking and producer selling.

After languishing between $370 and $395 an ounce for most of last year, ending in London at $387, gold suddenly caught the eyes of the US investment fund managers as the new year opened. Their buying quickly had the metal poised for a foray into the $400s, but in the absence of significant physical demand the final push was a little while coming.

In the event the option-covering that some analysts had suggested would be triggered by a move above $400 appears not to have materialised, at least not in the quantity they had expected.

One analyst who has found the rally unconvincing is Mr Andy Smith of the Union Bank of Switzerland. He said in his commentary yesterday morning that hopes for an options-driven boost were misplaced. "Above all," he said, "the feeling that gold still has one foot in the grave is hard to shake".

Gold last breached $400 in response to a well-publicised, concerted technical play by speculators Sir James Goldsmith and Mr George Soros. But at that time, Mr Smith noted, physical demand for the metal had been buoyant.

London broker GNI suggested, meanwhile, that gold's strength was a reflection of the weakness of US equities. "The dominant focus of the bullion market at the moment is the US and therefore anything which is perceived to increase its attractiveness to investors will be seen as a reason to buy," it said in a market commentary.

# EU malt exports may be reopened

By Deborah Hargreaves

The European Commission meets today to decide whether to re-open the European Union's malt exports following criticism from the British government over its handling of the malt market.

The commission stopped issuing licences for the export of malt just before Christmas as well as putting its system of export refunds on ice.

Government officials believe the commission was responding to overheating in grain markets following its decision to impose export taxes on wheat and barley. Malt is made from high quality barley, but it is a specialised market and operates in a different way from other grain markets.

"Malt is different. Exports run over the whole year with regular customers. It is not opportunistic, but I'm not sure we're getting our message across to the commission," said Mr Ivan Murrell, secretary of the UK Maltsters Association.

The commission has tried to exert increasing control over grain markets following the sharp run-up in world prices. Last year, the commission suspended export licences following requests to ship 1.4m tonnes of malt. It was concerned about the volatility in the barley market and also worried that too much was being exported.

However, the UK government estimates that traditional exports of malt are around 1.8m to 1.9m tonnes and that the commission risked squeezing out trade that was consistent with previous years' levels. "Some malting companies have lost 10 to 20 per cent of their long-term sales as customers in Japan and South Africa have taken their business elsewhere," said Mr Murrell.

The UK exports around 298,000 tonnes of malt outside the EU at a value of some £100m. Germany is the largest exporter of malt in the EU and along with Belgium is also concerned about the arrangements for exports.

# Coffee producers to discuss sales curbs

Delegates of producer countries belonging to the Association of Coffee Producing Countries are to open talks on tighter coffee export limits on the sidelines of a seminar in Brazil next week, the Ivory Coast government said yesterday, reports Reuters from Abidjan.

"The meetings on January 15 and 16 in Varginha [Brazil] and January 23 in London will open. . . [talks] on tightening the supply of robusta coffee in coming months. It will be the same for arabica coffee," a government statement said.

"It could also be decided to strengthen control measures on the flow of quarterly exports with controls managed by a first-class international auditor," it added.

The government statement said that the talks were called on the advice of Ivorian commodities minister, Mr Guy Alain Gauze, who is the ACPC's first vice-president and spokesman for African coffee producers.

Other participants would include Brazilian agriculture minister Mr Jose Eduardo de Andrade Vieira, Mr Gilson Ximenes Abreu, president of Brazil's National Coffee Council, and Mr Jorge Cardenas, head of the Colombian Coffee Growers' Federation.

The ACPC plans a plenary session in London on January 23.

## COMMODITIES PRICES

### BASE METALS

**LONDON METAL EXCHANGE**
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

| | Cash | 3 mths |
|---|---|---|
| Close | 1609.5-10.5 | 1615-6 |
| Previous | 1599-600 | 1605-6 |
| High/low | 1606/1605 | 1625/1600 |
| AM Official | 1605-6 | 1614.5-5.0 |
| Kerb close | | 1624-5 |
| Open int. | 233,697 | |
| Total daily turnover | 70,409 | |

■ ALUMINIUM ALLOY ($ per tonne)

| | Cash | 3 mths |
|---|---|---|
| Close | 1420-25 | 1460-5 |
| Previous | 1410-20 | 1445-55 |
| High/low | | 1460/1450 |
| AM Official | 1415-20 | 1450-60 |
| Kerb close | | 1460-60 |
| Open int. | 5,174 | |
| Total daily turnover | 1,405 | |

■ LEAD ($ per tonne)

| | Cash | 3 mths |
|---|---|---|
| Close | 692.5-3.5 | 685-6 |
| Previous | 700-1 | 692-3 |
| High/low | 693 | 686/683 |
| AM Official | 692.5-3.0 | 684-4.5 |
| Kerb close | | 685-6 |
| Open int. | 32,098 | |
| Total daily turnover | 9,939 | |

■ NICKEL ($ per tonne)

| | Cash | 3 mths |
|---|---|---|
| Close | 7595-605 | 7710-20 |
| Previous | 7575-85 | 7690-700 |
| High/low | 7540 | 7750/7600 |
| AM Official | 7535-40 | 7650-60 |
| Kerb close | | 7710-20 |
| Open int. | 39,568 | |
| Total daily turnover | 10,143 | |

■ TIN ($ per tonne)

| | Cash | 3 mths |
|---|---|---|
| Close | 6335-45 | 6355-65 |
| Previous | 6265-75 | 6290-95 |
| High/low | | 6430/6290 |
| AM Official | 6265-90 | 6315-20 |
| Kerb close | | 6420-30 |
| Open int. | 13,290 | |
| Total daily turnover | 4,748 | |

■ ZINC, special high grade ($ per tonne)

| | Cash | 3 mths |
|---|---|---|
| Close | 1016-7 | 1039-40 |
| Previous | 1018-19 | 1041-2 |
| High/low | 1011.5 | 1044/1032 |
| AM Official | 1011-1.5 | 1034-4.5 |
| Kerb close | | 1043-4 |
| Open int. | 77,288 | |
| Total daily turnover | 13,792 | |

■ COPPER, grade A ($ per tonne)

| | Cash | 3 mths |
|---|---|---|
| Close | 2638-43 | 2532-3 |
| Previous | 2685-90 | 2536-7 |
| High/low | 2610 | 2540/2503 |
| AM Official | 2608-10 | 2508-9 |
| Kerb close | | 2533-34 |
| Open int. | 168,200 | |
| Total daily turnover | 78,391 | |

■ LME AM Official £/$ rate: 1.5463
LME Closing £/$ rate: 1.5460

Spot: 1.5457 3 mths: 1.5423 6 mths: 1.5387 9 mths: 1.5349

■ HIGH GRADE COPPER (COMEX)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Jan | 119.30 | +0.45 | 120.70 | 119.00 | 352 | 2,533 |
| Feb | 117.30 | +0.25 | 118.60 | 117.30 | 25 | 1,221 |
| Mar | 114.80 | +0.75 | 116.00 | 114.05 | 4,971 | 26,400 |
| Apr | 113.70 | +0.75 | 114.60 | 114.60 | 71 | 734 |
| May | 112.70 | +0.65 | 113.70 | 112.40 | 780 | 4,904 |
| Jun | 112.20 | +0.90 | 112.90 | 111.90 | 54 | 617 |
| Total | | | | | 6,515 | 46,324 |

### PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

| Gold (Troy oz) | $ price | £ equiv | SFr equiv |
|---|---|---|---|
| Close | 399.20-399.60 | | |
| Opening | 396.30-396.70 | | |
| Morning fix | 396.75 | 256.547 | 461.420 |
| Afternoon fix | 400.00 | 258.682 | 464.920 |
| Day's High | 401.50-401.90 | | |
| Day's Low | 396.30-396.70 | | |
| Previous close | 394.10-394.50 | | |

Loco Ldn Mean Gold Lending Rates (Vs US$)

| | | | |
|---|---|---|---|
| 1 month | 2.81 | 6 months | 2.81 |
| 2 months | 2.82 | 12 months | 2.70 |
| 3 months | 2.88 | | |

| Silver Fix | p/troy oz. | US cts equiv. |
|---|---|---|
| Spot | 358.00 | 553.75 |
| 3 months | 363.15 | 560.45 |
| 6 months | 368.15 | 566.90 |
| 1 year | 378.30 | 579.45 |

| Gold Coins | $ price | £ equiv. |
|---|---|---|
| Krugerrand | 402-405 | 260-262 |
| Maple Leaf | 410.55-413.10 | - |
| New Sovereign | 91.50-94.50 | 59-61 |

### Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Jan | 398.7 | +3.5 | 400.5 | 400.5 | 15 | 4 |
| Feb | 400.2 | +3.3 | 403.0 | 396.8 | 27,489 | 90,534 |
| Apr | 402.2 | +3.3 | 405.1 | 399.0 | 1,729 | 23,057 |
| [illegible] | | | | | | |

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

| | | | | | | |
|---|---|---|---|---|---|---|
| [illegible] | | | | | | |

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

| | | | | | | |
|---|---|---|---|---|---|---|
| [illegible] | | | | | | |

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

| | | | | | | |
|---|---|---|---|---|---|---|
| [illegible] | | | | | | |

### ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

| | | | | | | |
|---|---|---|---|---|---|---|
| [illegible] | | | | | | |

■ CRUDE OIL IPE ($/barrel)

| | | | | | | |
|---|---|---|---|---|---|---|
| [illegible] | | | | | | |

■ HEATING OIL NYMEX (42,000 US galls; c/US galls)

| | | | | | | |
|---|---|---|---|---|---|---|
| [illegible] | | | | | | |

■ GAS OIL IPE ($/tonne)

| | | | | | | |
|---|---|---|---|---|---|---|
| [illegible] | | | | | | |

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu.)

| | | | | | | |
|---|---|---|---|---|---|---|
| [illegible] | | | | | | |

■ UNLEADED GASOLINE NYMEX (42,000 US galls; c/US galls)

| | | | | | | |
|---|---|---|---|---|---|---|
| [illegible] | | | | | | |

### GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Jan | 121.25 | +0.50 | 120.75 | 120.50 | 54 | 235 |
| Mar | 123.15 | +0.55 | 123.10 | 122.30 | 154 | 2,534 |
| May | 125.05 | +0.30 | 125.00 | 124.35 | 185 | 3,420 |
| [illegible] | | | | | | |

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

| | | | | | | |
|---|---|---|---|---|---|---|
| [illegible] | | | | | | |

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

| | | | | | | |
|---|---|---|---|---|---|---|
| [illegible] | | | | | | |

■ BARLEY LCE (£ per tonne)

| | | | | | | |
|---|---|---|---|---|---|---|
| [illegible] | | | | | | |

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

| | | | | | | |
|---|---|---|---|---|---|---|
| [illegible] | | | | | | |

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

| | | | | | | |
|---|---|---|---|---|---|---|
| [illegible] | | | | | | |

■ SOYABEAN MEAL CBT (100 tons; $/ton)

| | | | | | | |
|---|---|---|---|---|---|---|
| [illegible] | | | | | | |

■ POTATOES LCE (£/tonne)

| | | | | | | |
|---|---|---|---|---|---|---|
| [illegible] | | | | | | |

■ FREIGHT (BIFFEX) LCE ($10/index point)

| | | | | | | |
|---|---|---|---|---|---|---|
| [illegible] | | | | | | |
| Oct | 1430 | -20 | 1430 | 1425 | 10 | [illegible] |
| Total | | | | | 371 | 3,880 |

| | Close | Prev |
|---|---|---|
| BFI | 1578 | 1577 |

**FUTURES DATA**
*All futures data supplied by CMS.*

**Nuts and Seeds**
Prices from Kenkko Group; US$ a tonne. Iranian pistachios 28/30 raw (in shell) naturally opened (round): new crop 3,450 CFR/FOT MEP, 28/30 3,550 CFR/FOT MEP – roasted and salted 28/30 at 3,925 ex-Hamburg, vacuum pack. US almonds (shelled) 18/20 NPS 1995 crop at 6,300 FAS, steady. Indian cashews: 1995 crop, raw; W-320, 2.87 a pound, spot FOT Rotterdam; W-240 2.68 a pound FOB India – both for shipment this month. Turkish hazelnut kernels, 13/15 standard 1s, 1995 crop at 2,700 CFR MEP; quiet with exports slow. Russian snow white pumpkin seeds: 1995 crop, long, grade A, at 2,050 FCA MEP; round, 2,350 FOB MEP. Chinese grade A pine kernels, 1995 crop at 8,000, spot UK or 8,400 CFR from origin.

### SOFTS

■ COCOA LCE (£/tonne)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| [illegible] | | | | | | |

■ COCOA CSCE (10 tonnes; $/tonnes)

| | | | | | | |
|---|---|---|---|---|---|---|
| [illegible] | | | | | | |

■ COCOA (ICCO) (SDR's/tonne)

| | | | | | | |
|---|---|---|---|---|---|---|
| [illegible] | | | | | | |

■ COFFEE LCE ($/tonne)

| | | | | | | |
|---|---|---|---|---|---|---|
| [illegible] | | | | | | |

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

| | | | | | | |
|---|---|---|---|---|---|---|
| [illegible] | | | | | | |

■ COFFEE (ICO) (US cents/pound)

| | | | | | | |
|---|---|---|---|---|---|---|
| [illegible] | | | | | | |

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

| | | | | | | |
|---|---|---|---|---|---|---|
| [illegible] | | | | | | |

■ WHITE SUGAR LCE ($/tonne)

| | | | | | | |
|---|---|---|---|---|---|---|
| [illegible] | | | | | | |

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

| | | | | | | |
|---|---|---|---|---|---|---|
| [illegible] | | | | | | |

■ COTTON NYCE (50,000lbs; cents/lbs)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| [illegible] | | | | | | |
| Oct | 78.46 | -1.00 | 79.00 | 78.50 | 202 | 1,815 |
| Dec | 76.70 | [illegible] | 77.25 | 76.70 | 969 | 10,500 |
| Mar | 77.55 | -0.95 | 78.20 | 78.20 | 4 | 963 |
| Total | | | | | 10,129 | 56,550 |

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Jan | 110.10 | -3.15 | 118.90 | 114.00 | 313 | 1,413 |
| Mar | 117.40 | -5.00 | 122.10 | 116.00 | 2,733 | 14,314 |
| May | 120.00 | -5.00 | 124.50 | 120.00 | 487 | 2,244 |
| Jul | 122.20 | -4.00 | 123.70 | 122.20 | 137 | 908 |
| Sep | 124.50 | -4.50 | 129.28 | 125.50 | 40 | 1,090 |
| Nov | 123.75 | -4.75 | 128.50 | 123.50 | 10 | 332 |
| Total | | | | | 3,733 | 21,529 |

**VOLUME DATA**
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME and CSCE are one day in arrears.

### INDICES

■ REUTERS (Base: 18/9/31=100)

| Jan 10 | Jan 9 | month ago | year ago |
|---|---|---|---|
| 2089.3 | 2109.8 | 2130.3 | 2254.4 |

■ CRB Futures (Base: 1967=100)

| Jan 9 | Jan 8 | month ago | year ago |
|---|---|---|---|
| 248.28 | 245.82 | - | - |

■ GSCI Spot (Base: 1970=100)

| Jan 9 | Jan 8 | month ago | year ago |
|---|---|---|---|
| 204.36 | 206.75 | 193.48 | 175.33 |

### MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Feb | 65.425 | -0.825 | 66.350 | 65.300 | 7,471 | 29,686 |
| Apr | 66.000 | -0.825 | 66.850 | 65.950 | 2,076 | 18,110 |
| Jun | 62.475 | -0.375 | 62.850 | 62.300 | 1,170 | 11,182 |
| [illegible] | | | | | | |

■ LIVE HOGS CME (40,000lbs; cents/lbs)

| | | | | | | |
|---|---|---|---|---|---|---|
| [illegible] | | | | | | |

■ PORK BELLIES CME (40,000lbs; cents/lbs)

| | | | | | | |
|---|---|---|---|---|---|---|
| [illegible] | | | | | | |

### LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

| ■ ALUMINIUM (99.7%) LME | Feb | Apr | Feb | Apr |
|---|---|---|---|---|
| 1600 | 109 | 138 | 3 | 12 |
| 1600 | 55 | 88 | 26 | 49 |
| 1700 | 5 | 27 | 98 | 100 |
| **■ COPPER (Grade A) LME** | **Feb** | **Apr** | **Feb** | **Apr** |
| 2500 | 138 | 98 | 12 | 74 |
| 2600 | 66 | 53 | 41 | 130 |
| 2700 | 26 | - | 89 | |
| **■ COFFEE LCE** | **Mar** | **May** | **Mar** | **May** |
| 1500 | 260 | 190 | 12 | 58 |
| 1550 | 217 | 159 | 19 | 75 |
| 1600 | 179 | 132 | 31 | 98 |
| **■ COCOA LCE** | **Mar** | **May** | **Mar** | **May** |
| 850 | 52 | 80 | 8 | 10 |
| 875 | 34 | 62 | 13 | 17 |
| 900 | 20 | 46 | 24 | 26 |
| **■ BRENT CRUDE IPE** | **Feb** | **Mar** | **Feb** | **Mar** |
| 1850 | - | - | 15 | 62 |
| 1900 | 6 | 27 | 44 | - |
| 1950 | 1 | 10 | 80 | - |

### LONDON SPOT MARKETS

| ■ CRUDE OIL FOB (per barrel/Feb) | | +or- |
|---|---|---|
| Dubai | $17.28-7.30w | -0.23 |
| Brent Blend (dated) | $18.49-8.51 | -0.56 |
| Brent Blend (Feb) | $18.39-8.41 | -0.36 |
| W.T.I. | $19.61-9.64 | -0.34 |
| **■ OIL PRODUCTS NWE prompt delivery CIF (tonne)** | | |
| Premium Gasoline | $176-178 | -1 |
| Gas Oil | $175-176 | -6 |
| Heavy Fuel Oil | $111-113 | +1 |
| Naphtha | $176-178 | |
| Jet fuel | $205-208 | -5.5 |
| Diesel | $180-181 | -6 |

*Petroleum Argus. Tel. London (0171) 359 8792*

| ■ OTHER | | |
|---|---|---|
| Gold (per troy oz)♣ | $399.40 | +5.1 |
| Silver (per troy oz)♣ | 556.5c | +7.0 |
| Platinum (per troy oz.) | $414.35 | -0.15 |
| Palladium (per troy oz.) | $129.50 | -0.05 |
| Copper | 125.0c | |
| Lead (US prod.) | 41.75c | |
| Tin (Kuala Lumpur) | 15.75m | -0.02 |
| Tin (New York) | 298.5c | |
| Cattle (live weight)† | 118.90p | -1.69* |
| Sheep (live weight)†♠ | 115.37p | -6.63* |
| Pigs (live weight)† | 103.72p | -6.00* |
| Lon. day sugar (raw) | $320.8 | +0.7 |
| Lon. day sugar (wte) | $389.5 | -0.5 |
| Barley (Eng. feed) | Unq | |
| Maize (US No3 Yellow) | 151.0z | |
| Wheat (US Dark North) | Unq | |
| Rubber (Feb)♥ | 106.00p | -2.0 |
| Rubber (Mar)♥ | 106.00p | -2.0 |
| Rubber (KL RSS No1) | 399.00m | -16.0 |
| Coconut Oil (Phil)§ | $682.5y | |
| Palm Oil (Malay.)§ | $585.0z | |
| Copra (Phil)§ | 441u | +9 |
| Soyabeans (US) | 215.0 | +2 |
| Cotton Outlook 'A' index | 86.50 | |
| Wooltops (64s Super) | 444p | |

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. z Jan. u Dec/Jan.♥ w Feb. y Jan/Feb. x Oct/Dec London Physical. § CIF Rotterdam. ♣ Bullion market close. ♠ Sheep (Live weight prices). * Change on week † Prices are for previous day.

**JOTTER PAD**

## CROSSWORD

No.8,964 Set by QUARK

ACROSS
1 Pan after treatment? No criticism around the north (8)
5 Wartime recollection? (4-2)
9 Make-up of any power? (8)
10 Badly treats sailor at the customs (6)
12 It's an exceptional fabric (5)
13 A new hole? First to bar ordered a stiffener (9)
14 PM follows it (6)
16 An opening of gold provided with diamonds! (7)
19 Tea demolished with glee? I have something left (7)
21 The seashore's about right for a break (6)
23 The reporters etc to coerce? (5-4)
25 Sweetener; could be LSD (5)
26 Two artists seen in a bit of tussle for a mount (6)
27 Rome tiny? Hardly; that's a serious error (8)
28 A group of players tour round training (6)
29 About to work mainly in prison showing signs of strain (8)

DOWN
1 Fairly recent straining of sinew beginning to hurt (6)
2 A narrow escape is close at hand (4,5)
3 A source of irritation though briefly a service (5)
4 Plant noticed in vehicle or on a road (7)
6 Party follows walk in the Lake District (9)
7 Part of bolas so used in animal round-up (5)
8 Had nag looked round the street? (8)
11 Upper Circle? (4)
15 One makes a good impression but changes day by day (4-5)
17 Unrecognisable coin got in cast (9)
18 Pleasure-flight, long but not taken seriously (8)
20 Antelope cut off in dash (4)
21 Pot-plant? It could be a big one (7)
22 Man brought in to study a drawing (6)
24 Time to muse (5)
25 Start the game after 5? (5)

Solution 8,963

FIANCE AIRFORCE
E R L F B A O X
MASCULINE SPADE
I Y B D R C S D
NAVY ADMINISTER
I E M L A C A
NARRATE NEUTER
E S I L V E
HYSSOP DIAMOND
F O R I R C I
UNHINDERED PAST
T E E S P A T R
UNAPT EXPERTISE
R R T N E M O S
ENTREATY CYGNUS

# INTERNATIONAL CAPITAL MARKETS

## Record-setting day for the EIB

By Conner Middelmann

The European Investment Bank set several records yesterday: it issued the largest bond in its own borrowing history as well as the biggest-ever guilder eurobond, and is on its way to becoming the eurobond issuer with the largest number of new deals in one week.

After Tuesday's successful £400m and L500bn fixed-rate offerings, the EIB tapped the Dutch guilder market for Fl 2.5bn of 10-year bonds, and issued L700bn of five-year floating-rate bonds and C$200m five-year bonds.

To round off its multi-currency borrowing spree, the bank is also set to issue in Hong Kong dollars overnight and to tap the Spanish peseta and Swiss franc sectors today.

"We have been able to seize on some very attractive funding opportunities," said an official at the EIB in Luxembourg. "Underwriters are keen to do business with us – we are getting fantastic offers, not all of which we are accepting," he said.

Moreover, "there is a lot of liquidity in the market and good demand for our paper from European and Far Eastern institutions".

Following the dissociation between the EIB's funding and disbursement requirements last year, the bank has become a more opportunistic borrower, allowing it to react more quickly than before to arbitrage opportunities as they arise.

Nevertheless, it has also begun executing negotiated deals with benchmark character, which are usually preceded by a price-discovery process involving diverse market participants.

### INTERNATIONAL BONDS

Altogether, the EIB will have raised about Ecu2.5bn this week. Although it does not publish its planned borrowings for the coming year, they are expected to reach at least last year's total of Ecu12.5bn.

According to lead manager ABN-Amro Hoare Govett, the lion's share of the guilder issue was placed in the Netherlands. With Dutch state borrowing much lower this year than in 1995, and a particularly light government funding calendar in the first quarter, the EIB issue was seen as a surrogate state bond. ABN also reported strong buying in Asia where investors are keen on D-Mark bloc bonds.

The EIB's Canadian dollar deal, similar to two C$125m issues for GECC and the Province of Saskatchewan, was targeted largely at retail investors in Switzerland and the Benelux region, who will see large Canadian dollar redemptions in the coming weeks.

The D-Mark sector was active again, with Asian demand ensuring a good reception for the offerings. Far Eastern investors were said to be switching out of dollar assets into D-Marks, partly for the higher absolute interest rates available there and D-Mark bonds' recent outperformance.

Moreover, traders said there is growing unease at the lofty price levels of US dollar bonds in the face of market uncertainty, given the backlog in economic data releases.

The Kingdom of Sweden issued DM1bn of five-year bonds, some 70 per cent of which were placed in the Far East, according to book-runners CSFB and Salomon Bros. The bonds yielded 35 basis points over bunds at re-offer.

The Republic of Austria's 10-year D-Mark deal, launched on Tuesday, was increased by DM500m to DM2bn due to strong investor demand.

Although the yield spread over bunds widened to 20 basis points from 18 points at the re-offer price, lead manager Dresdner Bank reported strong demand, especially from Asia, where more than 40 per cent of the offering was placed.

The sterling sector welcomed a 10-year deal deal for the National Grid, which was increased from £200m to £240m on the back of strong demand, lead manager J.P. Morgan said.

Yielding 45 basis points over gilts, the bonds were deemed attractively priced and were placed mainly among UK institutions, as well as European and Asian investors.

The long-awaited $300m 10-year deal for the Japanese government-guaranteed Japan Finance for Municipal Enterprises, priced at 34 basis points over Treasuries, also saw good demand, causing the spread to tighten. The paper was placed mainly with Japanese investors, although a good bid was also reported in the UK, said lead J.P. Morgan.

One deal that perplexed many was Hewlett Packard's $200m of three-year bonds via Deutsche Morgan Grenfell, priced to yield flat on Treasuries. "They priced a double-A credit as if it were a top-notch triple-A borrower; it was far too tight," said one dealer, adding that the spread widened to seven basis points over Treasuries.

### NEW INTERNATIONAL BOND ISSUES

| Borrower | Amount m. | Coupon % | Price | Maturity | Fees % | Spread bp | Book runner |
|---|---|---|---|---|---|---|---|
| **US DOLLARS** | | | | | | | |
| ACCMT 2, S.96-A, Cls.A1(a)†* | 220 | (a1) | (a1)R | Apr.2003 | 0.40R | +46(6¼%-03) | Salomon Brothers |
| ACCMT 2, S.96-A, Cls.A2(a)†‡ | 220 | (a2) | (a2)R | Apr.2003 | 0.35R | - | Salomon Brothers |
| Japan Finance for Muni Ents. | 300 | 6.125 | 99.909R | Feb.2006 | 0.325R | +34(5¾%-05) | JP Morgan Securities |
| Hewlett Packard Finance Co | 200 | 5.25 | 99.708R | Jan.1999 | 0.1875R | flat(5¼%-98) | Deutsche Morgan Grenfell |
| Nafinsa (Grand Cayman) | 100 | 9.00# | 99.902R | Jan.1999 | 0.75R | +375(5¾%-98) | Deutsche Morgan Grenfell |
| **D-MARKS** | | | | | | | |
| Republic of Austria(b) | 500 | 6.00 | 99.036R | Feb.2006 | 0.325R | +18(6%-06) | Dresdner Bank |
| Kingdom of Sweden | 1bn | 5.00 | 99.835R | Feb.2001 | 0.25R | +35(5¼%-00) | CSFB/Salomon Brothers |
| Kaerntner Landes-und Hypo. | 150 | 5.75 | 102.00 | Feb.2003 | 2.75 | - | Westdeutsche Landesbank |
| Depfa Bank(c)‡ | 150 | (c1) | 100.00 | Jan.2002 | 0.20 | - | Morgan Stanley Bank |
| **SWISS FRANCS** | | | | | | | |
| Nestlé Australia | 200 | 3.00 | 101.875 | Dec.2000 | 2.00 | - | UBS |
| Trans-Tokyo Bay Highway Corp. | 150 | 4.00 | 101.70 | Feb.2006 | 2.75 | - | Credit Suisse/ IBJ(Switz.) |
| **STERLING** | | | | | | | |
| National Grid Company(d,s) | 240 | 8.00 | 99.569R | Mar.2006 | 0.35R | +45(7¾%-06) | Goldman/JP Morgan Secs. |
| **GUILDERS** | | | | | | | |
| European Investment Bank | 2.5bn | 6.00 | 99.275R | Jan.2006 | 0.325R | +12½(6%-06) | ABN-Amro Hoare Govett |
| **ITALIAN LIRE** | | | | | | | |
| European Investment Bank‡ | 700bn | (e,f) | 99.89R | Mar.2001 | 0.25R | - | BCI/BNL/Crplo/S.Paolo-JPM |
| **AUSTRALIAN DOLLARS** | | | | | | | |
| State Bank of New South Wales | 100 | 7.75# | 101.522 | Feb.2001 | 2.00 | - | Barclays de Zoete Wedd |
| **CANADIAN DOLLARS** | | | | | | | |
| European Investment Bank(s) | 200 | 6.625 | 99.575R | Dec.2001 | 0.25R | -5(7½%-01) | UBS |
| GE Capital Canada | 125 | 7.125 | 100.07R | Feb.2004 | 0.30R | +10(f) | Paribas Capital Markets |
| Province of Saskatchewan | 125 | 6.75 | 99.95R | Feb.2000 | 0.30R | +26(f) | CIBC Wood Gundy |
| **DANISH KRONER** | | | | | | | |
| Commerzbank O'seas Finance | 400 | 6.25 | 101.917 | Feb.2001 | 1.875 | - | Generale Bank |
| **SOUTH AFRICAN RAND** | | | | | | | |
| EBRD | 250 | 13.50 | 101.00 | Feb.1997 | 1.00 | - | West Merchant Bank |

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. *Unlisted. ‡ Floating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) Advanta Credit Card Master Trust. Monthly coupons. Legal maturity: 15/11/05. Average life 7.03 yrs. a1) Priced later approx 46bp over. a2) Priced later: 1-mth Libor + approx 22-23bp. a3) Class B: $26¼m, 15/5/03, 1-mth Libor + approx 35bp. b) DM1.5bn launched on Monday was increased to DM2bn. c) Oesterreiche Pfandbrief. c1) 4% for 1st yr & 3-mth Libor +25bp thereafter. Coupons cannot increase by more than 25bp or fall. d) Standard restructuring event put option. £20m cleanup call. e) 3-mth Libor -30bp. f) Over interpolated yield. s) Short 1st coupon.

## Finance for Russian gold venture sets precedent

By Richard Lapper

A $100m deal concluded within the past few weeks could help increase the flow of international debt finance to Russian gold mining projects, according to bankers.

Deutsche Morgan Grenfell structured the limited recourse project financing for Omolon Gold Mining Co, a joint venture owned by the US Cyprus Amax Minerals and several Russian companies.

The European Bank for Reconstruction and Development and the US Overseas Private Investment Corporation (Opic) are lending $47.5m and $52.5m respectively to Omolon, allowing the company to develop the Kubaka lode gold deposit in the Magadan region of the Russian far east.

Omolon will service the loan with revenues earned from the sale of gold and silver output from the mine.

The transaction, which took two years to negotiate, "sets a precedent for international debt financing for such projects in Russia", said Mr Andrew Seton, director for CIS and eastern Europe investment banking at Deutsche Morgan Grenfell.

Although there have been a handful of project finance deals in the gold sector in other former Soviet Republics, Russian restrictions on the export of gold have ruled out such deals in the past.

Mr Seton said bankers had developed "an innovative security package" which will allow Omolon to service debt, as well as providing adequate protection for lenders.

The package is based on a series of long-term contracts and includes arrangements for a licensed offshore account.

The deal gives the Russian government the prior claim on purchase of the output.

## European sector led by Germany outperforms US Treasuries

By Martin Brice and Richard Lapper in London and Lisa Bransten in New York

European government bond markets yesterday outperformed their US Treasury counterpart yesterday, after a further cut in the German securities repurchase rate fuelled outperformance by the German sector.

There were suggestions that investors are becoming worried about the scarcity of US economic data as a result of continuing wrangles over the budget. There were also reports of investors, especially in Asia, switching from Treasuries into European bonds.

■ German government bonds finished below yesterday's highs but were still in positive territory by the close.

The two basis point cut took the repo rate yesterday to 3.73 per cent and was particularly supportive to the short end of the maturity spectrum, leading to a further steepening of the German yield curve. The yield on benchmark two-year paper fell by 5 basis points and that on 10-year paper by 1 basis point, with the spread between the two maturities widening from 227 to 231 basis points.

Mr Karl Haeling, head of futures and options at Deutsche Bank in Frankfurt said: "We have now entered a new phase of cuts in the repo rate, and there are more to come."

On Liffe the March 10-year bund future reached 100.15 but slipped in the afternoon to 99.94, up 0.05 on the day. Germany outperformed the US, with the 10-year yield spread of bunds over Treasuries tightening from 17 to 12 basis points.

Mr Graham McDevitt, senior bond strategist at Paribas Capital Markets, said: "There is little economic information from the US because of the government shutdown and the market is negative there. But Germany looks very good on fundamentals and the market is now pricing in more repo easing."

He pointed out that the market was hoping for a 25 basis point cut in interest rates at the Federal Open Market Committee meeting on January 30 but that there was unlikely to be a cut while there was a shortage of economic figures.

### GOVERNMENT BONDS

■ France also saw some curve steepening, with the German repo rate cut encouraging hopes in some quarters of action on rates today by the Bank of France.

In the cash market yields on two-year paper fell by 10 basis points compared with a 2 point fall in the 10-year sector. On Matif the March 10-year future settled at 121.12, up 0.26, while March Pibor rose 0.11 to settle at 95.06.

■ Gilts shrugged off news of a higher than expected rise in the visible trade deficit but still underperformed Germany. On Liffe the March long gilt future closed at 110$\frac{9}{32}$, up $\frac{1}{32}$. The 10-year yield spread over Germany widened from 166 basis points to 169 points.

Some analysts suggest political uncertainty is continuing to have a negative influence on gilts, especially among overseas investors.

■ The high-yielding markets lost ground. Spain and Sweden lagged behind Germany, with 10-year yield spreads moving out by 3 basis points to 356 points and by 7 basis points to 235 points respectively. However Italy widened by 8 basis points to 468 points amid continuing political wrangling over the future of prime minister Mr Lamberto Dini.

■ US Treasuries were stable in early trading in the wake of the sharp sell-off that occurred on Tuesday after the president and Congressional leaders suspended negotiations over how to balance the federal budget.

Near midday, the benchmark 30-year Treasury bond was down $\frac{1}{32}$ at 110$\frac{7}{32}$, yielding 6.112 per cent, while the two-year note was unchanged at 100$\frac{1}{32}$, yielding 5.199 per cent.

The long-bond slid nearly a full point in late trading on Tuesday amid worries that President Clinton and Republican leaders would not agree to a package to cut the deficit by 2002. Budget talks were set to resume in the next 10 days.

Trading was also slowed by the lack of economic data. There have been no official figures since the end of December, when the budget battle led to the shutdown of the federal government.

## WORLD BOND PRICES

### BENCHMARK GOVERNMENT BONDS

| | | Coupon | Red Date | Price | Day's change | Yield | Week ago | Month ago |
|---|---|---|---|---|---|---|---|---|
| Australia | | 10.000 | 02/06 | 112.2600 | -0.360 | [illegible] | 8.11 | [illegible] |
| Austria | | 6.500 | 11/05 | 101.6900 | +0.290 | 6.26 | 6.29 | [illegible] |
| Belgium | | 6.500 | 03/05 | 99.7800 | +0.240 | 6.53 | 6.68 | 6.71 |
| Canada * | | 8.750 | 12/05 | 110.7100 | -0.490 | 7.21 | 7.08 | 7.35 |
| Denmark | | 8.000 | 03/06 | 106.4400 | +0.180 | [illegible] | 7.16 | 7.33 |
| France | BTAN | 7.750 | 04/00 | 107.7500 | +0.250 | 5.84 | 5.90 | 6.01 |
| | OAT | 7.750 | 10/05 | 108.4000 | +0.170 | 6.56 | 6.61 | 6.88 |
| Germany Bund | | 6.500 | 10/05 | 103.9600 | +0.100 | 5.95 | 5.99 | 6.23 |
| Ireland | | 8.000 | 08/06 | 103.9000 | - | 7.44 | 7.48 | 7.54 |
| Italy | | 10.500 | 09/05 | 101.0900 | -0.120 | 10.31† | 10.45 | 11.14 |
| Japan | No 129 | 6.400 | 03/00 | 118.3010 | +0.219 | 1.70 | 1.72 | 1.32 |
| | No 174 | 4.600 | 09/04 | 111.3580 | +0.227 | 2.96 | [illegible] | [illegible] |
| Netherlands | | 6.750 | 11/05 | 105.9100 | +0.010 | [illegible] | 5.97 | 6.24 |
| Portugal | | 11.875 | 02/05 | 113.2800 | +0.020 | 9.61 | 9.66 | 10.26 |
| Spain | | 10.150 | 01/06 | 103.5700 | -0.050 | 9.51 | 9.58 | 10.18 |
| Sweden | | 6.000 | 02/05 | 85.6740 | -0.280 | 8.31 | 8.32 | 8.74 |
| UK Gilts | | 8.000 | 12/00 | 104-15 | -1/32 | 6.90 | 6.87 | 7.01 |
| | | [illegible] | 12/05 | 106-29 | -4/32 | 7.50 | 7.51 | 7.63 |
| | | [illegible] | 10/08 | 110-30 | -4/32 | [illegible] | 7.65 | 7.77 |
| US Treasury * | | 5.875 | 11/05 | 101-00 | -10/32 | 5.74 | [illegible] | [illegible] |
| | | 6.875 | 08/25 | 110-14 | -20/32 | 6.11 | 5.98 | 6.26 |
| ECU (French Govt) | | 7.500 | 04/05 | 104.5600 | +0.190 | 6.81 | 6.88 | 7.09 |

London closing. *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

### US INTEREST RATES

| Latest | | Treasury Bills and Bond Yields | | | |
|---|---|---|---|---|---|
| Prime rate | 8½ | One month | 5.35 | Two year | 5.22 |
| Broker loan rate | 7¼ | Two month | 5.24 | Three year | 5.29 |
| Fed.funds | 5½ | Three month | 5.18 | Five year | 5.46 |
| Fed.funds at intervention | - | Six month | 5.19 | 10-year | 5.74 |
| | | One year | 5.16 | 30-year | 6.11 |

### BOND FUTURES AND OPTIONS

**France**

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

| | Open | Sett price | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 120.98 | 121.12 | +0.26 | 121.28 | 120.94 | 150,221 | 114,229 |
| Jun | 121.40 | 121.56 | +0.26 | 121.66 | 121.40 | 1,420 | 6,020 |
| Sep | 120.36 | [illegible] | +0.24 | 120.46 | 120.36 | 14 | 723 |

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

| Strike Price | Calls Feb | Calls Mar | Calls Jun | Puts Feb | Puts Mar | Puts Jun |
|---|---|---|---|---|---|---|
| 118 | - | [illegible] | - | - | 0.18 | - |
| 119 | - | 2.41 | - | 0.04 | [illegible] | - |
| 120 | 1.24 | 1.65 | - | 0.15 | 0.52 | 1.00 |
| 121 | [illegible] | 0.98 | 1.89 | [illegible] | 0.87 | - |
| 122 | 0.14 | [illegible] | 1.37 | - | - | - |

Est. vol. total, Calls 19,715 Puts 10,627. Previous day's open int., Calls 129,056 Puts 127,[illegible].

**Germany**

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 99.83 | 99.96 | +0.07 | 100.15 | 99.83 | 157902 | 214944 |
| Jun | 99.30 | 99.26 | +0.07 | 99.45 | 99.25 | 733 | 3522 |

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

| Strike Price | Calls Feb | Calls Mar | Calls Apr | Calls Jun | Puts Feb | Puts Mar | Puts Apr | Puts Jun |
|---|---|---|---|---|---|---|---|---|
| 9950 | 0.64 | 0.98 | 0.82 | 1.18 | 0.18 | 0.52 | 1.04 | 1.40 |
| 10000 | 0.33 | 0.69 | 0.61 | 0.95 | 0.37 | 0.73 | 1.33 | 1.67 |
| 10050 | 0.14 | 0.45 | 0.43 | 0.75 | [illegible] | 0.99 | 1.65 | 1.97 |

Est. vol. total, Calls 33953 Puts 14179. Previous day's open int., Calls 178030 Puts 159840

**Italy**

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 110.00 | 109.72 | -0.40 | 110.19 | 109.57 | 43771 | 58587 |
| Jun | 109.60 | 109.32 | -0.35 | 109.60 | 109.10 | 116 | 1684 |

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

| Strike Price | Calls Mar | Calls Jun | Puts Mar | Puts Jun |
|---|---|---|---|---|
| 10950 | 1.52 | 2.37 | 1.30 | 2.55 |
| 11000 | 1.28 | 2.15 | 1.56 | 2.83 |
| 11050 | 1.06 | [illegible] | 1.84 | 3.11 |

Est. vol. total, Calls 3277 Puts 3252. Previous day's open int., Calls 32428 Puts 40047

**Spain**

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

| | Open | Sett price | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 96.85 | 96.77 | -0.08 | 97.07 | 96.68 | 58,405 | 48,120 |

**UK**

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 110-14 | 110-09 | -0-05 | 110-25 | 110-05 | 63064 | 131557 |
| Jun | 109-26 | 109-22 | -0-06 | 109-28 | 109-25 | 77 | 229 |

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

| Strike Price | Calls Feb | Calls Mar | Calls Apr | Calls Jun | Puts Feb | Puts Mar | Puts Apr | Puts Jun |
|---|---|---|---|---|---|---|---|---|
| 110 | 0-50 | 1-19 | 1-22 | 1-59 | 0-32 | 1-01 | 1-42 | 2-15 |
| 111 | 0-22 | 0-52 | 0-60 | 1-31 | 1-04 | 1-34 | 2-16 | 2-51 |
| 112 | 0-07 | 0-30 | 0-40 | 1-08 | [illegible] | 2-12 | 2-60 | 3-28 |

Est. vol. total, Calls 3860 Puts 1608. Previous day's open int., Calls 19401 Puts 19823

**Ecu**

■ ECU BOND FUTURES (MATIF) ECU100,000

| | Open | Sett price | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 91.24 | 91.32 | +0.20 | 91.40 | 91.22 | 2,381 | 7,695 |

**US**

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

| | Open | Latest | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 120-00 | 119-11 | -0-25 | 120-00 | 119-08 | 317,537 | 379,007 |
| Jun | 119-03 | 118-29 | -0-26 | 119-11 | 118-16 | 1,808 | 17,152 |
| Sep | 118-18 | 118-13 | -0-26 | 118-18 | 118-13 | 714 | 5,500 |

**Japan**

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

| | Open | Close | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 119.70 | | | 119.79 | 119.81 | 3242 | 0 |
| Jun | 118.26 | | | 118.29 | 118.23 | 210 | 0 |

* LIFFE futures also traded on APT. All Open Interest figs. are for previous day.

### FT-ACTUARIES FIXED INTEREST INDICES

| Price Indices UK Gilts | Wed Jan 10 | Day's change % | Tue Jan 9 | Accrued interest | xd adj. ytd |
|---|---|---|---|---|---|
| 1 Up to 5 years (22) | 123.07 | +0.02 | 123.05 | 2.20 | 0.12 |
| 2 5-15 years (21) | 150.12 | -0.11 | 150.29 | 2.21 | 0.00 |
| 3 Over 15 years (8) | 166.24 | -0.13 | 166.46 | 1.82 | 1.02 |
| 4 Irredeemables (6) | 191.05 | +0.01 | 191.04 | 1.63 | 0.00 |
| 5 All stocks (57) | 144.79 | -0.07 | 144.89 | 2.19 | 0.21 |

| Yields | Low coupon Jan 10 | Low coupon Jan 9 | Low coupon Yr. ago | Medium coupon Jan 10 | Medium coupon Jan 9 | Medium coupon Yr. ago | High coupon Jan 10 | High coupon Jan 9 | High coupon Yr. ago |
|---|---|---|---|---|---|---|---|---|---|
| 5 yrs | 6.96 | 6.96 | [illegible] | 7.02 | 7.00 | 8.69 | [illegible] | 7.07 | 8.90 |
| 15 yrs | 7.70 | 7.68 | 8.56 | 7.73 | 7.71 | 8.70 | 7.82 | 7.81 | 8.92 |
| 20 yrs | [illegible] | 7.77 | 8.53 | 7.82 | 7.80 | 8.70 | 7.88 | 7.87 | 8.86 |
| Irred.† | 7.89 | 7.89 | 8.59 | | | | | | |

| Index-linked | Wed Jan 10 | Day's change % | Tue Jan 9 | Accrued interest | xd adj. ytd |
|---|---|---|---|---|---|
| 6 Up to 5 years (1) | 197.02 | -0.02 | 197.04 | 1.84 | 0.00 |
| 7 Over 5 years (11) | 188.41 | -0.15 | 188.70 | 0.91 | 0.00 |
| 8 All stocks (12) | 188.47 | -0.15 | 188.76 | 0.93 | 0.00 |

| | Inflation 5% Jan 10 | Inflation 5% Jan 9 | Inflation 5% Yr. ago | Inflation 10% Jan 10 | Inflation 10% Jan 9 | Inflation 10% Yr ago |
|---|---|---|---|---|---|---|
| Up to 5 yrs | 2.48 | 2.46 | 4.16 | 1.33 | 1.30 | 2.96 |
| Over 5 yrs | 3.55 | 3.54 | 3.92 | 3.35 | 3.34 | 3.73 |

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

### FT FIXED INTEREST INDICES

| | Jan 10 | Jan 9 | Jan 8 | Jan 5 | Jan 4 | Yr ago | High* | Low* |
|---|---|---|---|---|---|---|---|---|
| Govt. Secs. (UK) | 95.29 | 95.41 | 95.23 | 95.33 | 95.84 | 90.83 | 96.22 | 90.22 |
| Fixed Interest | 114.06 | 114.08 | 114.28 | 114.34 | 114.18 | 109.22 | 115.04 | 108.77 |

*for 1995/96. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

### GILT EDGED ACTIVITY INDICES

| | Jan 9 | Jan 8 | Jan 5 | Jan 4 | Jan 3 |
|---|---|---|---|---|---|
| Gilt Edged bargains | 83.3 | 69.3 | 63.8 | 94.4 | 78.9 |
| 5-day average | 81.5 | 79.2 | 71.1 | 63.5 | 53.6 |

## FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:05 pm on January 10

| | Issued | Bid | Offer | Chg. | Yield |
|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

## UK GILTS PRICES

| Notes | Yield Int | Yield Red | Price £ | + or - | 52 week High | 52 week Low |
|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

CURRENCIES AND MONEY

MARKETS REPORT

# Currencies range trade as market seeks direction

By Philip Gawith

The dollar performed steadily yesterday despite lack of progress in the budget talks and further weakness in the equity markets.

Earlier it had recovered overnight losses suffered in New York trading on Tuesday, prompted by pessimism over the budget. The dollar finished in London at DM1.4383, from DM1.4432. Against the yen it closed at Y104.94, from Y105.2.

The absence of US data, with much of the federal government still in shut-down mode, has left the US treasury market without direction, and this has spilled over to the dollar which has taken its lead from the bond market in recent weeks.

The dollar's performance was helped by the continued weak tone of the D-Mark, amid widespread expectations that a further fall in official German interest rates this quarter is likely. The repo rate in Germany fell at the weekly auction to 3.73 per cent, from 3.75 per cent.

The D-Mark was little changed in Europe, closing at L1,091, from L1,094 against the Italian lira.

Sterling slipped slightly against the D-Mark, hindered by the dollar's indifferent performance, and continued concern about the weak position of the ruling Tory government. It closed at DM2.2221, from DM2.2304. Against the dollar it finished at $1.545, from $1.5455.

■ The dollar is stuck in a trading range at the moment, with the upside capped by the lack of any progress on the budget talks, and the downside limited by the market's generally bearish view of the D-Mark.

Mr Chris Furness, currency strategist at IDEA in London, said it had been a "weird" sort of a day. The dollar first recovered in Tokyo and Europe, before pursuing an increasingly topsy-turvy path in late European and US trading.

In the absence of fundamental news, dollar bulls can take some solace from the charts. Mr Brian Marber, a London based technical analyst, notes that the three month and one year averages will "Golden Cross" at DM1.4250 within days. It will be only the fourth such event since what Mr Marber describes as the dollar's "major character-change" at the end of 1987.

"All three predecessors heralded long term dollar advances. Why not this time?" asks Mr Marber.

The rally in the gold price to a 22 month high was seen by some as being positive for dollar sentiment, even if there was little evidence in the price. More convincing was the argument that it would help "commodity" currencies like the Australian dollar, which finished at 74.66 US cents, from 74.5 cents.

Mr Furness said the benefits to the South African rand (like Australia, South Africa is a large gold producer) would probably be more delayed, owing to speculation about easing of exchange controls, which would unlock an outflow of capital.

■ There was agreement among analysts that yesterday's trading had been "messy". Mr Jeremy Hawkins, chief economist at the Bank of America in London, said it was presently "very easy to be bearish about a number of currencies, and increasingly difficult to be bullish." Some currencies, he said, were winning by default, rather than through any outright enthusiasm for the fundamentals, which might account for the recent range-trading.

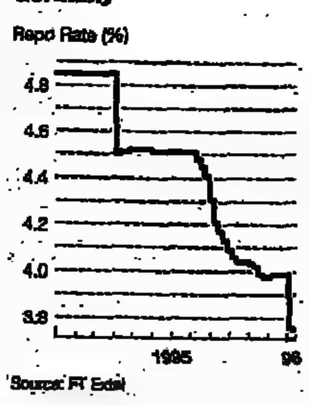
Mr Hawkins said the 1995 German GDP figures today could well show static or negative GDP growth in the fourth quarter. "If Germany is struggling it has pretty sickly implications for the rest of Europe as well."

■ The D-Mark has been a "paragon of stability" in Europe, despite the continuance of weak economic data in Germany, and increased expectation of lower interest rates. Mr David Cocker, economist at Chemical Bank in London, said: "This is because European Union issues are still at the heart of market thinking, and explains also why the Swiss franc will remain strong against the D-Mark, despite increasingly weak economic data, and the calls from exporters, and the Government, for a weaker franc."

The Swiss government acknowledged yesterday that the franc was overvalued – the real exchange rate index has risen by around eight per cent over the past year – but said that "intervention to weaken (it) is not conducive to success."

Germany

Repo Rate (%)




Source: FT Extel

■ Pound in New York

| Jan 10 | Latest | Prev. close |
|---|---|---|
| £ spot | 1.5450 | 1.5495 |
| 1 mth | 1.5437 | 1.5482 |
| 3 mth | 1.5416 | 1.5461 |
| 1 yr | 1.5300 | 1.5342 |

■ OTHER CURRENCIES

| Jan 10 | £ | $ |
|---|---|---|
| Czech Rp | 41.2567 - 41.2955 | 26.7150 - 26.7250 |
| Hungary | 210.357 - 210.503 | 136.180 - 136.230 |
| Iran | 4635.60 - 4634.10 | 3000.00 - 3000.00 |
| Kuwait | 0.4625 - 0.4629 | 0.2994 - 0.2995 |
| Poland | 3.8394 - 3.8437 | 2.4855 - 2.4875 |
| Russia | 7205.27 - 7207.57 | 4663.00 - 4665.00 |
| U.A.E. | 5.6729 - 5.6751 | 3.6724 - 3.6727 |

## POUND SPOT FORWARD AGAINST THE POUND

| Jan 10 | | Closing mid-point | Change on day | Bid/offer spread | Day's Mid high | low | One month Rate | %PA | Three months Rate | %PA | One year Rate | %PA | Bank of Eng. Index |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Europe** | | | | | | | | | | | | | |
| Austria | (Sch) | 15.6280 | -0.0807 | 220 - 340 | 15.6918 | 15.6215 | 15.5845 | 3.3 | 15.5405 | 2.2 | - | - | 106.6 |
| Belgium | (BFr) | 45.6996 | -0.1694 | 613 - 379 | 45.9070 | 45.6550 | 45.5946 | 2.8 | 45.4146 | 2.5 | 44.7146 | 2.2 | 106.9 |
| Denmark | (DKr) | 8.5933 | -0.0296 | 898 - 967 | 8.6250 | 8.5895 | 8.5818 | 1.6 | 8.5643 | 1.3 | 8.5058 | 1.0 | 109.2 |
| Finland | (FM) | 6.7253 | -0.0199 | 184 - 321 | 6.7740 | 6.7180 | 6.7209 | 0.8 | 6.7128 | 0.7 | - | - | 85.8 |
| France | (FFr) | 7.6168 | -0.0261 | 115 - 217 | 7.6426 | 7.6110 | 7.6114 | 0.8 | 7.6033 | 0.7 | 7.5569 | 0.8 | 110.5 |
| Germany | (DM) | 2.2221 | -0.0083 | 213 - 228 | 2.2313 | 2.2208 | 2.217 | 2.8 | 2.2072 | 2.7 | 2.1838 | 2.6 | 111.2 |
| Greece | (Dr) | 363.303 | -0.983 | 881 - 725 | 364.874 | 362.599 | - | - | - | - | - | - | 67.1 |
| Ireland | (I£) | 0.9681 | -0.0009 | 673 - 688 | 0.9697 | 0.9666 | 0.9671 | 1.2 | 0.966 | 0.9 | 0.9625 | 0.6 | 97.5 |
| Italy | (L) | 2430.40 | -3.3 | 904 - 176 | 2441.01 | 2427.58 | 2438.85 | -4.2 | 2455.5 | -4.1 | 2528.35 | -4.0 | 71.8 |
| Luxembourg | (LFr) | 45.6996 | -0.1694 | 613 - 379 | 45.9070 | 45.6550 | 45.5946 | 2.8 | 45.4146 | 2.5 | 44.7146 | 2.2 | 106.9 |
| Netherlands | (Fl) | 2.4891 | -0.0089 | 879 - 902 | 2.5031 | 2.4882 | 2.4832 | 2.8 | 2.4728 | 2.6 | 2.4269 | 2.4 | 109.0 |
| Norway | (NKr) | 9.7822 | -0.0323 | 790 - 853 | 9.8231 | 9.7785 | 9.7721 | 1.2 | 9.7506 | 1.3 | 9.6594 | 1.2 | 98.3 |
| Portugal | (Es) | 230.514 | -0.832 | 429 - 808 | 232.690 | 230.418 | 230.939 | -2.2 | 231.844 | -2.3 | - | - | 95.8 |
| Spain | (Pta) | 186.865 | -0.646 | 816 - 954 | 187.767 | 186.784 | 187.37 | -3.1 | 188.315 | -3.1 | 192.54 | -3.0 | 82.7 |
| Sweden | (SKr) | 10.1655 | -0.0477 | 576 - 734 | 10.2085 | 10.1490 | 10.1674 | -0.2 | 10.171 | -0.2 | 10.1862 | -0.2 | 88.0 |
| Switzerland | (SFr) | 1.7953 | -0.0086 | 942 - 963 | 1.8041 | 1.7940 | 1.789 | 4.9 | 1.7744 | 4.6 | 1.7104 | 4.4 | 115.5 |
| UK | (£) | - | - | - | - | - | - | - | - | - | - | - | 85.1 |
| Ecu | - | 1.1970 | -0.004 | 964 - 975 | 1.2045 | 1.1944 | 1.1959 | 1.1 | 1.1936 | 1.1 | 1.1857 | 0.9 | - |
| SDR† | - | 1.04836 | - | - | - | - | - | - | - | - | - | - | - |
| **Americas** | | | | | | | | | | | | | |
| Argentina | (Peso) | 1.5447 | -0.0005 | 444 - 450 | 1.5501 | 1.5442 | - | - | - | - | - | - | - |
| Brazil | (R$) | 1.5018 | -0.0005 | 014 - 021 | 1.5059 | 1.5014 | - | - | - | - | - | - | - |
| Canada | (C$) | 2.1074 | +0.003 | 067 - 081 | 2.1131 | 2.1046 | 2.1081 | 0.7 | 2.1081 | 0.6 | 2.0996 | 0.6 | 84.0 |
| Mexico | (New Peso) | 11.6412 | +0.0734 | 239 - 586 | 11.6412 | 11.5839 | - | - | - | - | - | - | - |
| USA | ($) | 1.5450 | -0.0005 | 447 - 452 | 1.5503 | 1.5438 | 1.5438 | 0.9 | 1.5415 | 0.9 | 1.53 | 1.0 | 94.8 |
| **Pacific/Middle East/Africa** | | | | | | | | | | | | | |
| Australia | (A$) | 2.0695 | -0.0051 | 684 - 705 | 2.0877 | 2.0690 | 2.071 | -0.9 | 2.0748 | -1.0 | 2.0913 | -1.1 | 86.7 |
| Hong Kong | (HK$) | 11.9471 | -0.0039 | 444 - 498 | 11.9889 | 11.9421 | 11.94 | 0.7 | 11.952 | 0.5 | 11.9065 | 0.3 | - |
| India | (Rs) | 55.2320 | -0.1801 | 458 - 182 | 55.5830 | 55.1485 | - | - | - | - | - | - | - |
| Israel | (Shk) | 4.8231 | -0.0123 | 175 - 286 | 4.8415 | 4.8170 | - | - | - | - | - | - | - |
| Japan | (Y) | 162.127 | -0.454 | 039 - 215 | 162.550 | 161.310 | 161.292 | 6.2 | 159.757 | 5.8 | 153.447 | 5.4 | 137.3 |
| Malaysia | (M$) | 3.9481 | -0.006 | 467 - 495 | 3.9626 | 3.9454 | - | - | - | - | - | - | - |
| New Zealand | (NZ$) | 2.3466 | -0.0005 | 451 - 480 | 2.3585 | 2.3443 | 2.3495 | -1.5 | 2.3565 | -1.7 | 2.3807 | -1.5 | 102.7 |
| Philippines | (Peso) | 40.4777 | -0.0595 | 939 - 616 | 40.5248 | 40.3998 | - | - | - | - | - | - | - |
| Saudi Arabia | (SR) | 5.7943 | -0.0019 | 931 - 954 | 5.8141 | 5.7917 | - | - | - | - | - | - | - |
| Singapore | (S$) | 2.1973 | -0.0034 | 961 - 984 | 2.2045 | 2.1959 | - | - | - | - | - | - | - |
| South Africa | (R) | 5.6009 | -0.0041 | 992 - 026 | 5.6206 | 5.5980 | - | - | - | - | - | - | - |
| South Korea | (Won) | 1217.19 | +0.77 | 691 - 746 | 1220.15 | 1216.68 | - | - | - | - | - | - | - |
| Taiwan | (T$) | 42.3046 | -0.0191 | 939 - 153 | 42.4503 | 42.2879 | - | - | - | - | - | - | - |
| Thailand | (Bt) | 38.9946 | -0.0435 | 726 - 163 | 39.1220 | 38.9726 | - | - | - | - | - | - | - |

† Rates for Jan 5. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

## DOLLAR SPOT FORWARD AGAINST THE DOLLAR

| Jan 10 | | Closing mid-point | Change on day | Bid/offer spread | Day's mid high | low | One month Rate | %PA | Three months Rate | %PA | One year Rate | %PA | J.P. Morgan index |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Europe** | | | | | | | | | | | | | |
| Austria | (Sch) | 10.1156 | -0.0589 | 133 - 178 | 10.1400 | 10.0815 | 10.1001 | 1.8 | 10.0741 | 1.6 | 9.9706 | 1.4 | 106.4 |
| Belgium | (BFr) | 29.5800 | -0.1 | 600 - 000 | 29.6250 | 29.5000 | 29.528 | 2.1 | 29.44 | 1.9 | 29.135 | 1.5 | 108.4 |
| Denmark | (DKr) | 5.5622 | -0.0173 | 608 - 635 | 5.5734 | 5.5439 | 5.5584 | 0.8 | 5.5522 | 0.7 | 5.5697 | -0.1 | 108.7 |
| Finland | (FM) | 4.3531 | -0.0115 | 493 - 568 | 4.3839 | 4.3345 | 4.3481 | 1.4 | 4.3394 | 1.3 | 4.3108 | 1.0 | 86.0 |
| France | (FFr) | 4.9300 | -0.0153 | 275 - 325 | 4.9410 | 4.9145 | 4.9332 | -0.8 | 4.9375 | -0.6 | 4.914 | 0.3 | 109.9 |
| Germany | (DM) | 1.4383 | -0.0049 | 380 - 385 | 1.4420 | 1.4329 | 1.4361 | 1.8 | 1.4317 | 1.8 | 1.414 | 1.7 | 110.8 |
| Greece | (Dr) | 235.155 | -0.56 | 920 - 390 | 236.240 | 233.890 | 235.88 | -3.8 | 240.08 | -8.4 | 253.555 | -7.8 | 66.5 |
| Ireland | (I£) | 1.5960 | +0.0011 | 950 - 970 | 1.6012 | 1.5945 | 1.5965 | -0.3 | 1.5969 | -0.2 | 1.592 | 0.2 | - |
| Italy | (L) | 1573.13 | -1.82 | 250 - 375 | 1575.15 | 1569.25 | 1579.98 | -5.2 | 1592.03 | -4.8 | 1650.13 | -4.9 | 71.5 |
| Luxembourg | (LFr) | 29.5800 | -0.1 | 600 - 000 | 29.6250 | 29.5000 | 29.528 | 2.1 | 29.44 | 1.9 | 29.135 | 1.5 | 106.7 |
| Netherlands | (Fl) | 1.6111 | -0.0053 | 106 - 116 | 1.6178 | 1.6070 | 1.6081 | 2.2 | 1.6027 | 2.1 | 1.5828 | 1.8 | 109.3 |
| Norway | (NKr) | 6.3317 | -0.0189 | 307 - 327 | 6.3489 | 6.3088 | 6.3294 | 0.4 | 6.3212 | 0.7 | 6.3042 | 0.4 | 97.4 |
| Portugal | (Es) | 149.205 | -0.49 | 170 - 240 | 150.580 | 148.840 | 149.58 | -3.0 | 150.35 | -3.1 | 153.855 | -3.2 | 95.8 |
| Spain | (Pta) | 120.965 | -0.38 | 940 - 990 | 121.250 | 120.740 | 121.29 | -3.3 | 122.095 | -3.7 | 125.585 | -3.8 | 82.3 |
| Sweden | (SKr) | 6.5796 | -0.0288 | 757 - 835 | 6.5989 | 6.5622 | 6.5968 | -3.1 | 6.6263 | -2.8 | 6.7636 | -2.8 | 87.2 |
| Switzerland | (SFr) | 1.1620 | -0.0054 | 615 - 625 | 1.1656 | 1.1596 | 1.1584 | 3.7 | 1.1517 | 3.6 | 1.1233 | 3.3 | 114.8 |
| UK | (£) | 1.5450 | -0.0005 | 447 - 452 | 1.5503 | 1.5438 | 1.5438 | 0.9 | 1.5415 | 0.9 | 1.53 | 1.0 | 82.8 |
| Ecu | - | 1.2908 | +0.0039 | 904 - 911 | 1.2940 | 1.2871 | 1.2911 | -0.3 | 1.2914 | -0.2 | 1.2921 | -0.1 | - |
| SDR† | - | 0.67789 | - | - | - | - | - | - | - | - | - | - | - |
| **Americas** | | | | | | | | | | | | | |
| Argentina | (Peso) | 0.9998 | - | 995 - 999 | 0.9999 | 0.9998 | - | - | - | - | - | - | - |
| Brazil | (R$) | 0.9721 | - | 720 - 721 | 0.9722 | 0.9720 | - | - | - | - | - | - | - |
| Canada | (C$) | 1.3641 | +0.0024 | 638 - 643 | 1.3647 | 1.3607 | 1.3643 | -0.1 | 1.3644 | -0.1 | 1.3694 | -0.4 | 83.3 |
| Mexico | (New Peso) | 7.5350 | +0.05 | 250 - 450 | 7.5350 | 7.5250 | 7.5375 | -0.4 | 7.5404 | -0.3 | 7.5455 | -0.1 | - |
| USA | ($) | - | - | - | - | - | - | - | - | - | - | - | 95.8 |
| **Pacific/Middle East/Africa** | | | | | | | | | | | | | |
| Australia | (A$) | 1.3394 | -0.0029 | 390 - 398 | 1.3469 | 1.3390 | 1.3414 | -1.8 | 1.3449 | -1.6 | 1.3636 | -1.8 | 87.5 |
| Hong Kong | (HK$) | 7.7330 | - | 325 - 335 | 7.7337 | 7.7325 | 7.7357 | -0.1 | 7.7358 | -0.1 | 7.7625 | -0.4 | - |
| India | (Rs) | 35.7500 | -0.105 | 000 - 000 | 35.8600 | 35.7000 | 35.9 | -5.0 | 36.205 | -5.1 | 37.675 | -5.4 | - |
| Israel | (Shk) | 3.1218 | -0.007 | 187 - 249 | 3.1338 | 3.1180 | - | - | - | - | - | - | - |
| Japan | (Y) | 104.940 | -0.26 | 900 - 980 | 105.020 | 104.080 | 104.475 | 5.3 | 103.615 | 5.1 | 100.185 | 4.5 | 137.8 |
| Malaysia | (M$) | 2.5555 | -0.003 | 550 - 560 | 2.5578 | 2.5550 | 2.5564 | -0.4 | 2.5625 | -1.1 | 2.586 | -1.2 | - |
| New Zealand | (NZ$) | 1.5186 | +0.0002 | 181 - 195 | 1.5201 | 1.5180 | 1.5219 | -2.4 | 1.5277 | -2.3 | 1.5523 | -2.2 | - |
| Philippines | (Peso) | 26.2000 | -0.03 | 500 - 500 | 26.2500 | 26.1500 | - | - | - | - | - | - | - |
| Saudi Arabia | (SR) | 3.7505 | - | 503 - 508 | 3.7506 | 3.7503 | 3.751 | -0.1 | 3.7517 | -0.1 | 3.755 | -0.1 | - |
| Singapore | (S$) | 1.4222 | -0.0018 | 217 - 227 | 1.4237 | 1.4212 | 1.4186 | 3.0 | 1.4126 | 2.7 | 1.3872 | 2.5 | - |
| South Africa | (R) | 3.6255 | -0.0015 | 248 - 265 | 3.6268 | 3.6245 | 3.6541 | -9.5 | 3.7058 | -8.9 | 3.9288 | -8.4 | - |
| South Korea | (Won) | 787.850 | +0.75 | 800 - 900 | 787.900 | 785.700 | 790.85 | -4.6 | 794.35 | -3.3 | 812.85 | -3.2 | - |
| Taiwan | (T$) | 27.3825 | -0.0085 | 800 - 850 | 27.3870 | 27.3780 | 27.4025 | -0.9 | 27.4425 | -0.9 | - | - | - |
| Thailand | (Bt) | 25.2400 | -0.02 | 300 - 500 | 25.2500 | 25.2250 | 25.3387 | -4.7 | 25.5425 | -4.8 | 26.425 | -4.7 | - |

† SDR rate per $ for Jan 3. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Jan 9: Base average 1990=100

## WORLD INTEREST RATES

### MONEY RATES

| January 10 | Over night | One month | Three mths | Six mths | One year | Lomb. inter | Dis. rate | Repo rate |
|---|---|---|---|---|---|---|---|---|
| Belgium | 3½ | 3⅞ | 3½ | 3½ | 3½ | 7.00 | 3.00 | - |
| week ago | 3⅞ | 3¾ | 3¾ | 3¾ | 3¾ | 7.00 | 3.00 | - |
| France | 4½ | 4½ | 4¾ | 4½ | 4½ | 4.45 | - | 5.85 |
| week ago | 4½ | 4½ | 4¾ | 4⅞ | 4⅞ | 4.45 | - | 5.85 |
| Germany | 3½ | 3½ | 3⅞ | 3½ | 3½ | 5.00 | 3.00 | 3.75 |
| week ago | 3½ | 3½ | 3¾ | 3½ | 3½ | 5.00 | 3.00 | 3.75 |
| Ireland | 5½ | 5½ | 5½ | 5¾ | 5½ | - | - | 6.25 |
| week ago | 5½ | 5½ | 5½ | 5½ | 5½ | - | - | 6.25 |
| Italy | 10½ | 10½ | 10⅛ | 10 | 10½ | - | 9.00 | 10.48 |
| week ago | 10½ | 10½ | 10½ | 10⅛ | 9½ | - | 9.00 | 10.50 |
| Netherlands | 3½ | 3½ | 3½ | 3½ | 3½ | - | 3.00 | 3.40 |
| week ago | 3½ | 3½ | 3½ | 3½ | 3½ | - | 3.00 | 3.40 |
| Switzerland | 1½ | 1½ | 1⅝ | 1⅝ | 1¾ | 5.00 | 1.50 | - |
| week ago | 1⅝ | 1½ | 1⅝ | 1⅝ | 1½ | 5.00 | 1.50 | - |
| US | 5⅝ | 5½ | 5½ | 5⅜ | 5¼ | - | 5.25 | - |
| week ago | 5½ | 5½ | 5½ | 5½ | 5¼ | - | 5.25 | - |
| Japan | ½ | ½ | ⅝ | ½ | ½ | - | 0.50 | - |
| week ago | ½ | ½ | ½ | ½ | ½ | - | 0.50 | - |
| ■ $ LIBOR FT London | | | | | | | | |
| Interbank Fixing | - | 5¾ | 5½ | 5½ | 5½ | - | - | - |
| week ago | - | 5⅝ | 5½ | 5½ | 5⅜ | - | - | - |
| US Dollar CDs | - | 5.38 | 5.30 | 5.25 | 5.14 | - | - | - |
| week ago | - | 5.38 | 5.34 | 5.28 | 5.19 | - | - | - |
| ECU Linked Ds | - | 5½ | 5 | 5 | 4½ | - | - | - |
| week ago | - | 5½ | 5⅛ | 5½ | 5½ | - | - | - |
| SDR Linked Ds | - | 3½ | 3½ | 3½ | 3½ | - | - | - |
| week ago | - | 3½ | 3½ | 3⅜ | 3½ | - | - | - |

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

### EURO CURRENCY INTEREST RATES

| Jan 10 | Short term | 7 days notice | One month | Three months | Six months | One year |
|---|---|---|---|---|---|---|
| Belgian Franc | 3½ - 3⅜ | 3¾ - 3⅝ | 3½ - 3⅜ | 3½ - 3⅜ | 3½ - 3⅜ | [illegible] |
| Danish Krone | 4½ - 4¼ | 4½ - 4½ | 4¾ - 4½ | 4¾ - 4½ | 4¾ - 4½ | [illegible] |
| D-Mark | 3½ - 3½ | 3½ - 3½ | 3½ - 3½ | 3¾ - 3⅝ | 3½ - 3⅜ | [illegible] |
| Dutch Guilder | 3½ - 3⅜ | 3½ - 3⅜ | 3½ - 3⅜ | 3½ - 3⅜ | 3½ - 3⅜ | [illegible] |
| French Franc | 4½ - 4⅜ | 4½ - 4⅜ | 4½ - 4⅜ | 4½ - 4½ | 4½ - 4⅜ | [illegible] |
| Portuguese Esc. | 7½ - 7½ | 8⅛ - 8⅜ | 8½ - 8½ | 8½ - 8½ | 8½ - 8½ | [illegible] |
| Spanish Peseta | 9⅛ - 9 | 9½ - 9⅛ | 9⅛ - 9 | 8½ - 8½ | 8½ - 8½ | [illegible] |
| Sterling | 6⅝ - 6½ | 6⅝ - 6½ | 6½ - 6½ | 6½ - 6⅜ | 6½ - 6½ | [illegible] |
| Swiss Franc | 1⅝ - 1½ | 1¾ - 1⅝ | 1¾ - 1⅝ | 1¾ - 1⅝ | 1¾ - 1⅝ | [illegible] |
| Can. Dollar | 5⅝ - 5½ | 5¾ - 5⅝ | 5⅝ - 5½ | 5⅝ - 5½ | 5½ - 5⅜ | [illegible] |
| US Dollar | 5½ - 5¼ | 5½ - 5⅜ | 5⅝ - 5½ | 5⅝ - 5½ | 5½ - 5⅜ | [illegible] |
| Italian Lira | 10¼ - 9¾ | 10½ - 10⅛ | 10½ - 10⅛ | 10¼ - 10⅛ | 10½ - 9⅞ | [illegible] |
| Yen | ½ - ½ | ½ - ⅜ | ½ - ½ | ½ - ⅜ | ½ - ⅜ | [illegible] |
| Asian $Sing | 2¾ - 2⅝ | 2½ - 2⅜ | 2½ - 2⅜ | 2½ - 2⅜ | 2½ - 2⅜ | [illegible] |

Short term rates are call for the US Dollar and Yen, others: two days' notice

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate (FFr5m)

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 95.01 | 95.08 | +0.11 | 95.12 | 95.00 | 41,080 | 53,303 |
| Jun | 95.28 | 95.32 | +0.08 | 95.37 | 95.27 | 8,368 | 45,965 |
| Sep | 95.35 | 95.41 | +0.08 | 95.45 | 95.34 | 6,116 | 33,054 |

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 96.47 | 96.49 | +0.02 | 96.49 | 96.47 | 29555 | 188741 |
| Jun | 96.63 | 96.67 | +0.04 | 96.69 | 96.63 | 37008 | 144580 |
| Sep | 96.64 | 96.08 | +0.06 | 96.70 | 96.64 | 24470 | 120867 |
| Dec | 96.51 | 96.54 | +0.06 | 96.57 | 96.51 | 22795 | 125474 |

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 90.24 | 90.15 | -0.08 | 90.27 | 90.12 | 7741 | 45875 |
| Jun | 90.68 | 90.58 | -0.07 | 90.67 | 90.56 | 3235 | 29760 |
| Sep | 90.87 | 90.80 | -0.05 | 90.87 | 90.77 | 1424 | 14814 |
| Dec | 90.92 | 90.84 | -0.07 | 90.93 | 90.84 | 753 | 7866 |

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 98.31 | 98.36 | +0.07 | 98.37 | 98.30 | 9098 | 23623 |
| Jun | 98.38 | 98.43 | +0.08 | 98.45 | 98.39 | 5482 | 15217 |
| Sep | 98.34 | 98.39 | +0.08 | 98.40 | 98.34 | 1779 | 7852 |
| Dec | 98.16 | 98.10 | +0.08 | 98.21 | 98.16 | 648 | 1649 |

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 95.12 | 95.12 | +0.04 | 95.14 | 95.10 | 1290 | 7729 |
| Jun | 95.28 | 95.28 | +0.04 | 95.29 | 95.26 | 932 | 4820 |
| Sep | 95.29 | 95.29 | +0.04 | 95.31 | 95.29 | 180 | 2493 |
| Dec | 95.20 | 95.20 | +0.05 | 95.21 | 95.18 | 36 | 1835 |

* LIFFE futures also traded on APT

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

| Strike Price | CALLS Mar | Jun | Sep | PUTS Mar | Jun | Sep |
|---|---|---|---|---|---|---|
| 9000 | 0.35 | 0.75 | 1.08 | 0.20 | 0.17 | 0.25 |
| 9025 | 0.21 | 0.59 | 0.91 | 0.31 | 0.28 | 0.28 |
| 9050 | 0.10 | 0.44 | 0.74 | 0.45 | 0.38 | 0.38 |

Est. vol. total, Calls 480 Puts 595. Previous day's open int., Calls 10695 Puts 5657

## CROSS RATES AND DERIVATIVES

### EXCHANGE CROSS RATES

| Jan 10 | | BFr | DKr | FFr | DM | I£ | L | Fl | NKr | Es | Pta | SKr | SFr | £ | C$ | $ | Y | Ecu |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Belgium | (BFr) | 100 | 18.80 | 16.67 | 4.862 | 2.119 | 5317 | 5.446 | 21.40 | 504.4 | 409.0 | 22.25 | 3.928 | 2.188 | 4.611 | 3.381 | 354.7 | 2.619 |
| Denmark | (DKr) | 53.18 | 10 | 8.864 | 2.586 | 1.126 | 2828 | 2.897 | 11.38 | 268.2 | 217.5 | 11.84 | 2.089 | 1.164 | 2.452 | 1.798 | 188.6 | 1.393 |
| France | (FFr) | 60.00 | 11.28 | 10 | 2.917 | 1.271 | 3190 | 3.268 | 12.84 | 302.6 | 245.4 | 13.35 | 2.357 | 1.313 | 2.766 | 2.028 | 212.8 | 1.571 |
| Germany | (DM) | 20.57 | 3.867 | 3.428 | 1 | 0.436 | 1094 | 1.120 | 4.402 | 103.7 | 84.11 | 4.577 | 0.808 | 0.450 | 0.948 | 0.695 | 72.95 | 0.539 |
| Ireland | (I£) | 47.21 | 8.877 | 7.869 | 2.295 | 1 | 2510 | 2.571 | 10.11 | 238.1 | 193.1 | 10.51 | 1.854 | 1.033 | 2.177 | 1.596 | 167.5 | 1.237 |
| Italy | (L) | 1.881 | 0.354 | 0.313 | 0.091 | 0.040 | 100. | 0.102 | 0.403 | 9.486 | 7.691 | 0.419 | 0.074 | 0.041 | 0.087 | 0.064 | 6.671 | 0.049 |
| Netherlands | (Fl) | 18.36 | 3.452 | 3.060 | 0.893 | 0.389 | 976.3 | 1 | 3.930 | 92.61 | 75.09 | 4.086 | 0.721 | 0.402 | 0.847 | 0.621 | 65.13 | 0.481 |
| Norway | (NKr) | 46.72 | 8.785 | 7.787 | 2.272 | 0.990 | 2484 | 2.544 | 10 | 235.6 | 191.1 | 10.40 | 1.835 | 1.022 | 2.154 | 1.579 | 165.7 | 1.224 |
| Portugal | (Es) | 19.83 | 3.728 | 3.305 | 0.964 | 0.420 | 1054 | 1.080 | 4.244 | 100. | 81.08 | 4.412 | 0.779 | 0.434 | 0.914 | 0.670 | 70.33 | 0.519 |
| Spain | (Pta) | 24.45 | 4.598 | 4.075 | 1.189 | 0.518 | 1300 | 1.332 | 5.234 | 123.3 | 100. | 5.441 | 0.960 | 0.535 | 1.127 | 0.827 | 86.73 | 0.640 |
| Sweden | (SKr) | 44.94 | 8.449 | 7.490 | 2.185 | 0.952 | 2389 | 2.447 | 9.618 | 226.6 | 183.8 | 10 | 1.765 | 0.983 | 2.072 | 1.519 | 159.4 | 1.177 |
| Switzerland | (SFr) | 25.46 | 4.787 | 4.243 | 1.238 | 0.539 | 1354 | 1.387 | 5.450 | 128.4 | 104.1 | 5.666 | 1 | 0.557 | 1.174 | 0.861 | 90.31 | 0.667 |
| UK | (£) | 45.70 | 8.593 | 7.617 | 2.222 | 0.968 | 2430 | 2.489 | 9.782 | 230.5 | 186.9 | 10.17 | 1.795 | 1 | 2.107 | 1.545 | 162.1 | 1.197 |
| Canada | (C$) | 21.69 | 4.078 | 3.615 | 1.055 | 0.459 | 1153 | 1.181 | 4.643 | 109.4 | 88.70 | 4.827 | 0.852 | 0.475 | 1 | 0.733 | 76.93 | 0.568 |
| US | ($) | 29.58 | 5.562 | 4.930 | 1.438 | 0.627 | 1573 | 1.611 | 6.331 | 149.2 | 121.0 | 6.583 | 1.162 | 0.647 | 1.364 | 1 | 104.9 | 0.775 |
| Japan | (Y) | 28.19 | 5.301 | 4.699 | 1.371 | 0.597 | 1499 | 1.535 | 6.035 | 142.2 | 115.3 | 6.274 | 1.107 | 0.617 | 1.300 | 0.953 | 100. | 0.738 |
| Ecu | | 38.18 | 7.179 | 6.363 | 1.856 | 0.809 | 2030 | 2.079 | 8.172 | 192.6 | 156.1 | 8.496 | 1.500 | 0.835 | 1.760 | 1.291 | 135.4 | 1 |

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 0.6970 | 0.6985 | +0.0022 | 0.7004 | 0.6960 | 21,104 | 66,840 |
| Jun | 0.7003 | 0.7014 | +0.0020 | 0.7014 | 0.7003 | 1,712 | 3,108 |
| Sep | - | 0.7040 | +0.0016 | 0.7040 | - | 3 | 1,286 |

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 0.9646 | 0.9644 | +0.0018 | 0.9699 | 0.9615 | 17,387 | 74,700 |
| Jun | 0.9810 | 0.9759 | +0.0011 | 0.9810 | 0.9746 | 656 | 2,870 |
| Sep | 0.9865 | 0.9869 | +0.0010 | 0.9869 | 0.9865 | 180 | 486 |

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 0.8652 | 0.8673 | +0.0031 | 0.8683 | 0.8640 | 14,866 | 39,001 |
| Jun | 0.8742 | 0.8750 | +0.0032 | 0.8750 | 0.8742 | 63 | 1,089 |
| Sep | - | 0.8815 | +0.0024 | 0.8815 | - | 4 | 68 |

■ STERLING FUTURES (IMM) £62,500 per £

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 1.5480 | 1.5450 | -0.0010 | 1.5480 | 1.5418 | 6,721 | 36,589 |
| Jun | 1.5410 | 1.5420 | -0.0008 | 1.5420 | 1.5408 | 82 | 120 |
| Sep | - | 1.5370 | -0.0018 | - | 1.5370 | 2 | 5 |

## UK INTEREST RATES

### LONDON MONEY RATES

| Jan 10 | Over-night | 7 days notice | One month | Three months | Six months | One year |
|---|---|---|---|---|---|---|
| Interbank Sterling | 7¼ - 6¼ | 6⅝ - 6½ | 6½ - 6⅜ | 6½ - 6⅜ | 6½ - 6⅜ | 6⅜ - 6¼ |
| Sterling CDs | - | - | 6½ - 6⅜ | 6½ - 6⅜ | 6½ - 6⅜ | 6⅜ - 6¼ |
| Treasury Bills | - | - | 6⅜ - 6¼ | 6¼ - 6⅛ | - | - |
| Bank Bills | - | - | 6½ - 6⅜ | 6⅜ - 6¼ | 6⅛ - 6⅛ | - |
| Local authority deps. | 6⅝ - 6½ | 6½ - 6⅜ | 6½ - 6⅜ | 6⅜ - 6¼ | 6⅛ - 6⅛ | 6⅛ - 6¼ |
| Discount Market deps | 6⅝ - 6¼ | 6½ - 6⅜ | - | - | - | - |

UK clearing bank base lending rate 6½ per cent from December 13, 1995

| | Up to 1 month | 1-3 month | 3-6 months | 6-9 months | 9-12 months |
|---|---|---|---|---|---|
| Certs of Tax dep. (£100,000) | 2½ | 5½ | 5 | 5 | 4¾ |

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1¼pc.
Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1¼pc. Make up day Dec 29, Ave. tender rate of discount 6.1631pc. ECGD fixed rate Stlg. Export Finance. Make up day Dec 29, 1995. Agreed rate for period Jan 24, 1996 to Feb 25, 1996, Schemes II & III 7.82pc. Reference rate for period Dec 1, 1995 to Dec 29, 1995, Schemes IV & V 6.552pc. Finance House Base Rate 7pc from January 1, 1995

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 93.68 | 93.68 | - | 93.71 | 93.67 | 11405 | 89524 |
| Jun | 93.81 | 93.82 | +0.01 | 93.85 | 93.80 | 15865 | 57486 |
| Sep | 93.77 | 93.77 | +0.01 | 93.82 | 93.76 | 11990 | 51264 |
| Dec | 93.59 | 93.59 | +0.01 | 93.65 | 93.58 | 7640 | 40858 |
| Mar | 93.35 | 93.36 | +0.01 | 93.42 | 93.35 | 5160 | 28627 |

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

| Strike Price | CALLS Mar | Jun | Sep | PUTS Mar | Jun | Sep |
|---|---|---|---|---|---|---|
| 9350 | 0.24 | 0.45 | 0.53 | 0.06 | 0.13 | 0.28 |
| 9375 | 0.09 | 0.28 | 0.38 | 0.16 | 0.21 | 0.35 |
| 9400 | 0.02 | 0.16 | 0.26 | 0.34 | 0.34 | 0.49 |

Est. vol. total, Calls 2900 Puts 3270. Previous day's open int., Calls 112678 Puts 97108

## BASE LENDING RATES

| | % | | % | | % |
|---|---|---|---|---|---|
| Adam & Company | 6.50 | Duncan Lawrie | 6.50 | Royal Bk of Scotland | 6.50 |
| Allied Trust Bank | 6.50 | Exeter Bank Limited | 7.50 | •Singer & Friedlander | 6.50 |
| AIB Bank | 6.75 | Financial & Gen Bank | 7.50 | •Smith & Williman Secs | 6.50 |
| •Henry Ansbacher | 6.50 | •Robert Fleming & Co | 6.50 | TSB | 6.50 |
| Bank of Baroda | 6.50 | Girobank | 6.50 | •United Bank of Kuwait | 6.75 |
| Banco Bilbao Vizcaya | 6.50 | •Guinness Mahon | 6.50 | Unity Trust Bank Plc | 6.50 |
| Bank of Cyprus | 6.50 | Habib Bank AG Zurich | 6.50 | Western Trust | 6.50 |
| Bank of Ireland | 6.50 | •Hambros Bank | 6.50 | Whiteaway Laidlaw | 6.50 |
| Bank of India | 6.50 | Heritable & Gen Inv Bk | 6.75 | Yorkshire Bank | 6.50 |
| Bank of Scotland | 6.50 | •Hill Samuel | 6.50 | | |
| Barclays Bank | 6.50 | C. Hoare & Co | 6.50 | • Members of London Investment Banking Association | |
| Brit Bk of Mid East | 6.50 | Hongkong & Shanghai | 6.50 | * In administration | |
| •Brown Shipley & Co Ltd | 6.50 | Julian Hodge Bank | 6.50 | | |
| Citibank NA | 6.50 | •Leopold Joseph & Sons | 6.50 | | |
| Clydesdale Bank | 6.50 | Lloyds Bank | 6.50 | | |
| The Co-operative Bank | 6.50 | Meghraj Bank Ltd | 6.50 | | |
| Coutts & Co | 6.50 | Midland Bank | 6.50 | | |
| Credit Lyonnais | 6.50 | •Mount Credit Corp | 6.50 | | |
| Cyprus Popular Bank | 6.75 | NatWestminster | 6.50 | | |
| | | •Rea Brothers | 6.50 | | |

### EMS EUROPEAN CURRENCY UNIT RATES

| Jan 10 | Ecu cen. rates | Rate against Ecu | Change on day | % +/- from cen. rate | % spread v weakest | Div. ind. |
|---|---|---|---|---|---|---|
| Spain | 162.493 | 158.589 | +0.008 | -2.40 | 6.13 | 17 |
| Netherlands | 2.15214 | 2.11181 | -0.00169 | -1.87 | 5.58 | 14 |
| Belgium | 39.3960 | 38.7596 | -0.0303 | -1.62 | 5.28 | 12 |
| Austria | 13.4383 | 13.2607 | -0.0131 | -1.32 | 4.97 | 10 |
| Germany | 1.91007 | 1.88541 | -0.00153 | -1.29 | 4.94 | 13 |
| Portugal | 195.792 | 195.485 | +0.024 | -0.16 | 3.74 | 1 |
| Denmark | 7.28580 | 7.28941 | -0.00696 | 0.05 | 3.53 | -0 |
| France | 6.40608 | 6.45939 | -0.00516 | 0.83 | 2.73 | -7 |
| Ireland | 0.792214 | 0.820580 | +0.003205 | 3.58 | 0.00 | -24 |
| NON ERM MEMBERS | | | | | | |
| Greece | 292.867 | 307.731 | -0.83 | 5.08 | -1.42 | - |
| Italy | 2106.15 | 2059.65 | +1.51 | -2.21 | 5.82 | - |
| UK | 0.786652 | 0.847326 | +0.004306 | 7.71 | -3.84 | - |

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

| Strike Price | CALLS Jan | Feb | Mar | PUTS Jan | Feb | Mar |
|---|---|---|---|---|---|---|
| 1.520 | 2.77 | 3.02 | 3.40 | - | 0.46 | 0.95 |
| 1.530 | 1.75 | 2.33 | 2.73 | 0.03 | 0.72 | 1.28 |
| 1.540 | 0.84 | 1.69 | 2.19 | 0.04 | 1.06 | 1.69 |
| 1.550 | 0.22 | 1.17 | 1.69 | 0.42 | 1.48 | 2.20 |
| 1.560 | 0.01 | 0.73 | 1.27 | 1.18 | 2.08 | 2.73 |
| 1.570 | - | 0.43 | 0.93 | 2.16 | 2.73 | 3.20 |

Previous day's vol., Calls 7,307 Puts 3,074. Prev. day's open int., Calls 149,880 Puts 184,836

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 94.85 | 94.84 | -0.01 | 94.85 | 94.83 | 40,157 | 426,575 |
| Jun | 94.93 | 94.91 | -0.02 | 94.93 | 94.89 | 53,371 | 402,687 |
| Sep | 95.00 | 94.97 | -0.03 | 95.00 | 94.95 | 37,583 | 264,456 |

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 95.10 | 95.11 | - | 95.11 | 95.08 | 319 | 7,398 |
| Jun | 95.34 | 95.35 | -0.02 | 95.38 | 95.34 | 1,038 | 5,091 |
| Sep | - | 95.39 | - | - | 95.39 | 31 | 192 |

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

| Strike Price | CALLS Jan | Feb | Mar | Jun | PUTS Jan | Feb | Mar | Jun |
|---|---|---|---|---|---|---|---|---|
| 9625 | 0.24 | 0.27 | 0.27 | 0.47 | 0 | 0.03 | 0.03 | 0.05 |
| 9650 | 0.02 | 0.05 | 0.08 | 0.31 | 0.03 | 0.06 | 0.06 | 0.10 |
| 9675 | 0 | 0.01 | 0.01 | 0.12 | 0.26 | 0.27 | 0.27 | 0.20 |

Est. vol. total, Calls 5585 Puts 2555. Previous day's open int., Calls 201332 Puts 216485

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

| Strike Price | CALLS Mar | Jun | Sep | PUTS Mar | Jun | Sep |
|---|---|---|---|---|---|---|
| 9825 | 0.17 | 0.27 | 0.24 | 0.06 | 0.09 | 0.20 |
| 9850 | 0.05 | 0.11 | 0.08 | 0.21 | 0.20 | 0.24 |
| 9875 | 0.01 | 0.04 | 0.08 | 0.34 | 0.27 | 0.48 |

Est. vol. total, Calls 600 Puts 20. Previous day's open int., Calls 7209 Puts 3049





## SIV INDUSTRIES LIMITED

NOTICE IS HEREBY GIVEN that an adjourned Meeting of Warrantholders (those who are registered as holders or joint holders in the Warrant Register of the 2,356,000 Warrants issued on 09 August 1994, listed on the Luxembourg Stock Exchange and entitling the holder to subscribe to 1 GDR of SIV Industries at US$6.37) will be held at Simmons & Simmons, 21 Wilson Street, London, England on 23 January 1996 at 3:00 p.m. for the purpose of considering and, if thought fit, passing the following Resolution as an Extraordinary Resolution:

"RESOLUTION

1. THAT it is hereby resolved that:

in relation to the 2,356,000 Warrants issued on 09 August 1994, listed on the Luxembourg Stock Exchange and entitling the holder to subscribe for 1 GDR of SIV Industries at US$6.37 during an exercise period currently expiring on 31 January 1996, the expiry of the period during which the said Warrants may be exercised shall be extended until and including 09 August 1996, and references in any document relating to the Warrants to the "Expiry Date" shall take effect accordingly, all other terms remaining unchanged."

The quorum for such adjourned meeting shall be two or more persons present holding Warrants or bringing proxies and being or representing in the aggregate the holders of not less than 25 per cent. of the Warrants for the time being unexercised.

NOTE:

A Warrantholder entitled to vote at the meeting convened by the Notice set out above is entitled to appoint a proxy to attend, who for all purposes in his absence shall be deemed to be the holder of the Warrant. A Warrantholder may appoint a proxy by executing and delivering a form of proxy in the English language to the specified office of a Warrant Agent or the Warrant Registrar not later than 24 hours before the time fixed for the meeting or, in the case of corporations, may appoint representatives by or pursuant to a resolution in the English language of their Directors or other governing body and by delivering an executed copy of such resolutions to a Warrant Agent or the Warrant Registrar not later than 24 hours before the time fixed for the meeting.

As the Warrants are held in global form, investors entitled to Warrants should instruct the clearing system through which they hold their entitlement (The Morgan Guaranty Trust Company of New York as operator of Euroclear, Cedel Bank, société anonyme or the Depository Trust Company) to exercise the vote with respect to such Warrant on their behalf by appointing a proxy or representative. Details of the arrangements for giving such instructions are available from each such clearing system.

Dated: January 11, 1996



IRISH PERMANENT BUILDING SOCIETY

£100,000,000

Floating rate notes 1998

Notice is hereby given that for the interest period from 8 January 1996 to 9 April 1996 the notes will carry an interest rate of 6.5625% per annum. Interest payable on 9 April 1996 will amount to £172.50 per £10,000 note and £1,725.00 per £100,000 note.

Agent: Morgan Guaranty Trust Company

JPMorgan

USD 140,000,000

CRI INSURED MORTGAGE ASSOCIATION INC.

Guaranteed Secured Floating Rate Notes due 1998

| | |
|---|---|
| Interest Rate | 5.84375% |
| Interest Period | January 10, 1996 April 10, 1996 |
| Interest Amount due on April 10, 1996 per | |
| USD 43,214.29 | USD 638.35 |

BANQUE GÉNÉRALE DU LUXEMBOURG

Agent Bank

## LONDON SHARE SERVICE

### ALCOHOLIC BEVERAGES

[illegible]

### BANKS, MERCHANT

[illegible]

### BANKS, RETAIL

[illegible]

### BREWERIES, PUBS & REST

[illegible]

### BUILDING & CONSTRUCTION

[illegible]

### BUILDING MATS. & MERCHANTS

[illegible]

### BUILDING MATS. & MERCHANTS - Cont.

[illegible]

### CHEMICALS

[illegible]

### DISTRIBUTORS

[illegible]

### DIVERSIFIED INDUSTRIALS

[illegible]

### ELECTRICITY

[illegible]

### ELECTRONIC & ELECTRICAL EQPT

[illegible]

### ELECTRONIC & ELECTRICAL EQPT - Cont.

[illegible]

### ENGINEERING

[illegible]

### ENGINEERING, VEHICLES

[illegible]

### EXTRACTIVE INDUSTRIES

[illegible]

### EXTRACTIVE INDUSTRIES - Cont.

[illegible]

### FOOD PRODUCERS

[illegible]

### GAS DISTRIBUTION

[illegible]

### HEALTH CARE

[illegible]

### HOUSEHOLD GOODS

[illegible]

### HOUSEHOLD GOODS - Cont.

[illegible]

### INSURANCE

[illegible]

### INVESTMENT TRUSTS

[illegible]

### INVESTMENT TRUSTS - Cont.

[illegible]

### INV TRUSTS SPLIT CAPITAL

[illegible]

صكذا من الأصل

# LONDON SHARE SERVICE

## INV TRUSTS SPLIT CAPITAL - Cont.

| | Notes | Price | + or – | 52 week high | low | Yld Gr's | NAV | Dis or Pm(-) |
|---|---|---|---|---|---|---|---|---|
| Gen Cons Inc | v□ | 105 | — | 113 | 104 | 11.1 | – | – |
| Cap | | 173 | -1 | 182 | 139 | – | 207.8 | 16.7 |
| Stepped Pf | | 185½ | -½ | 187½ | 170 | 2.3 | – | – |
| Guinness Flight Extra Inc | | 93 | — | 95 | 90 | – | 102.4 | 8.2 |
| Warrants | | 10 | — | 13 | 10 | – | – | – |
| Pf | | 105½ | -½ | 106½ | 101 | – | – | – |
| HTR Inc & Grth Spl Inc | | 106 | — | 115 | 85 | 3.6 | 113.2 | 6.1 |
| Zero Div Pf | | 126 | — | 124½ | 102 | – | – | – |
| Henderson Eurotrust | | 101 | -1 | 104 | 80 | 4.1 | 136.6 | 26.1 |
| Units | v | 142 | +4 | 143 | 115 | 2.8 | 167.8 | 15.4 |
| Zero Pf | | 44 | — | 44½ | 35 | – | – | – |
| Hong Kong | | 44½ | -7 | 48½ | 33 | 5.2 | 56.2 | 20.8 |
| Zero Div Pf | | 43 | +½ | 41 | 37 | – | – | – |
| INS Optimum | | 95xd | -1 | 103 | 78 | 11.1 | 110.4 | 13.9 |
| Zero Div Pf | | 268 | — | 261 | 206½ | – | – | – |
| INVESCO Blue Chip | | 61xd | — | 72 | 51 | 17.2 | 68.6 | 11.1 |
| Zero Pf | | 184½ | -½ | 185½ | 167 | – | – | – |
| INVESCO Recovery | | 87xd | — | 110 | 84 | 11.5 | 102.0 | 14.7 |
| Pfd Growth | | 170 | — | 171 | 147½ | – | – | – |
| Johnson Fry Euro | | 78 | — | 93 | 78 | 7.0 | 100.7 | 21.5 |
| Zero Pf | | 131½ | -½ | 132½ | 104 | – | – | – |
| Johnson Fry Second | | 88xd | -½ | 98 | 82 | 9.5 | 90.7 | 3.0 |
| Zero Div Pf | | 122 | -½ | 122½ | 98 | – | – | – |
| Johnson Fry Utils | | 95xd | -½ | 110 | 89 | 10.1 | 101.2 | 5.1 |
| Zero Pf | | 131½ | -½ | 132 | 108½ | – | – | – |
| Jos Holdings Capital | | 120 | -1 | 123 | 95 | – | 246.9 | 51.4 |
| Income | v | 96xd | — | 103 | 81 | 17.6 | – | – |
| Zero Div Pf | | 151½ | — | 151½ | 120 | – | – | – |
| Jove Inc | | 58 | — | 65 | 50 | 12.9 | – | – |
| Cap | | 35 | -1 | 43 | 35 | – | 55.4 | 35.0 |
| Jupiter Euro | v | 75 | — | 83 | 69 | 3.6 | 114.4 | 34.4 |
| Warrants | | 47 | — | 48 | 45 | – | – | – |

## OTHER INVESTMENT TRUSTS

## INVESTMENT COMPANIES

## LEISURE & HOTELS

## LEISURE & HOTELS - Cont.

## LIFE ASSURANCE

## MEDIA

## OIL EXPLORATION & PRODUCTION

## OIL, INTEGRATED

## OTHER FINANCIAL

## OTHER FINANCIAL - Cont.

## PAPER, PACKAGING & PRINTING

## PHARMACEUTICALS



## PHARMACEUTICALS - Cont.

| | Notes | Price | + or – | 52 week high | low | Mkt Cap£m | Yld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|
| Oxford Molecular | | 290 | — | 298 | 80 | 134.6 | – | – |
| Peptide Therapeutics | □ | 230 | -1 | 250 | 200 | 74.6 | – | – |
| Proteus Intl | | 102 | -2 | 201 | 90 | 33.4 | – | – |
| Ransom (Wm) | | 36 | -1 | 60 | 44 | 9.11 | 4.6 | 14.2 |
| Schering DM | □ | [illegible] | [illegible] | [illegible] | [illegible] | 3,059 | 1.8 | – |
| Scotia | □ | 343 | -11 | 719 | 273 | 403.4 | – | – |
| SmithKline Beecham A | □ | 685xd | -9 | 725 | 444 | 8,716 | 2.4 | 20.6 |
| Equity Units | □ | 657xd | -10 | 716 | 416 | 6,959 | 2.5 | 20.4 |
| Zeneca | □ | 1256 | -13 | 1337½ | 946 | 11,885 | 2.8 | 23.2 |

## PROPERTY

## PROPERTY - Cont.

## RETAILERS, FOOD

## RETAILERS, GENERAL

## RETAILERS, GENERAL - Cont.

## SUPPORT SERVICES

## SUPPORT SERVICES - Cont.

## TELECOMMUNICATIONS

## TEXTILES & APPAREL

## TOBACCO

## TRANSPORT

## WATER

## AIM

## AIM - Cont.

## AMERICANS

## CANADIANS

## SOUTH AFRICANS

| | Notes | Price | + or – | 52 week high | low | Mkt Cap£m | Yld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|
| Anglo Am Ind | | [illegible] | — | [illegible] | [illegible] | 2,111 | 2.7 | 19.5 |
| Barlow | ♣ | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | 1.5 | [illegible] |
| Gold Flds Prop R | | 183 | — | 187 | 135 | 18.6 | 7.0 | 8.8 |
| MK Props | | [illegible] | — | [illegible] | [illegible] | 3.70 | 13.0 | – |
| SASOL | | [illegible] | -5 | [illegible] | [illegible] | [illegible] | 2.8 | – |
| SA Brews | | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | 1.5 | 31.7 |
| Standard Bank | □ | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | 1.3 | 31.3 |
| Tiger Oats | | 1147xd | -3 | 1165 | 700 | 1,735 | 1.7 | ⊕ |
| Tongaat-Hulett | † | 1147xd | +10 | 1147 | 635 | 1,045 | 1.7 | 21.8 |

## GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by FT Extel, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm –) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ⊕ Figures or report awaited
- ♥ Rule 2.1(3)(v) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
h Figures based on prospectus or other official estimates.
g Assumed dividend yield after rights issue.
b Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v P/e ratios are calculated under new ACT guidelines.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1995.
K Yield based on prospectus or other official estimates for 1995
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1995-96.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xi ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1350 a year for each security shown, subject to the Editor's discretion

### ♣ FT Free Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣. Please quote the code FT2758. Ring 0181 770 0770 (open 24 hours including weekends) or Fax 0181 770 3822. Reports will be sent the next working day, subject to availability.

Both Annual Reports and FT Company Focus are available from the above number.

### FT Company Focus

Comprehensive 10-14 page report available on this company, containing key FT stories from the last year, latest survey of City profit forecasts and investment recommendations, 5 year financial and share price performance review, balance sheet and profit and loss data, plus recent Stock Exchange announcements for £6.45.

**To order, call 0121 200 4678.**

Reports published by ShareFinder Ltd.

### FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details.

An international service is available for callers outside the UK, annual subscription £250 stg.

**Call 0171 873 4378 for more information on FT Cityline.**

**For readers phoning from outside UK, please dial +44 in place of the first 0.**

# FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on ( +44 171 ) 873 4378 for more details.

## OFFSHORE AND OVERSEAS

### BERMUDA (SIB RECOGNISED)

Fidelity Currency Funds Ltd

Pembroke Hall, Pembroke, Bermuda

[illegible]

### BERMUDA (REGULATED)(**)

[illegible]

### GUERNSEY (SIB RECOGNISED)

[illegible]

Royal Bk of Canada O/S Fd Mgrs Ltd

PO Box 246, St Peter Port, Guernsey 01481 723021

[illegible]

### GUERNSEY (REGULATED)(**)

[illegible]

### IRELAND (SIB RECOGNISED)

[illegible]

GAM Fund Management Ltd (u)

[illegible]

Guinness Flight Select Funds Plc

[illegible]

Henderson Crosthwaite Investment Co

[illegible]

LGT Asset Management PLC

[illegible]

### IRELAND (REGULATED)(**)

[illegible]

Baring Mutual (Ireland) Ltd

[illegible]

### ISLE OF MAN (SIB RECOGNISED)

AXA Equity & Law Intl Fund Mgrs

[illegible]

### ISLE OF MAN (REGULATED)(**)

[illegible]

### JERSEY (SIB RECOGNISED)

[illegible]

### JERSEY (REGULATED)(**)

[illegible]

### LUXEMBOURG (SIB RECOGNISED)

[illegible]

### LUXEMBOURG (REGULATED)(**)

[illegible]

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# FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

| | Selling Price | Buying Price | + or - | Yield Gross |
|---|---|---|---|---|
| **Citimarkets SA** | | | | |
| [illegible] | | | | |
| **Clan European Asset Value Fund** | | | | |
| NAV Jan 4 | $10.31 | | -0.17 | - |
| **Clemente Korea Emerging Growth Fund** | | | | |
| NAV Jan 5 | $9.38 | | -0.01 | - |
| **Cox & Kings Overseas Fund** | | | | |
| India Twenty-First Century | | | - | - |
| **Credis Investment Funds** | | | | |
| [illegible] | | | | |
| **Merrill Lynch Asset Management - Contd.** | | | | |
| [illegible] | | | | |
| **Monterey Trust SICAV** | | | | |
| NAV | $20.10 | | - | - |
| **Morgan Stanley Sicav** | | | | |
| [illegible] | | | | |
| **Albany International Assurance Ltd** | | | | |
| [illegible] | | | | |
| **Royal Life International** | | | | |
| [illegible] | | | | |
| **Royal Skandia Life Assurance Ltd (z)** | | | | |
| [illegible] | | | | |
| **Canaco Investment Management Ltd** | | | | |
| [illegible] | | | | |
| **Capital International** | | | | |
| Capital Int. Fund | $109.21 | | - | - |
| **Cathay Investment Fund Limited** | | | | |
| NAV Sep 30 | HK$11.82 | | - | - |
| **Chancellor Funds Limited** | | | | |
| UK Equity Fund | £341.82 | 142.86 | - | - |
| **Chescor Indian Investment Company Ltd** | | | | |
| Smaller Cos Pfolio Jan 5 | $4.37 | | - | - |
| **The China Fund** | | | | |
| [illegible] | | | | |
| **The China Invest & Development Fd Ltd** | | | | |
| [illegible] | | | | |
| **The Vietnam Frontier Fund** | | | | |
| Frontier Fund Management Co | | | | |
| NAV (Fully Paid) Dec 31 | $10.10 | | - | - |
| **The Vietnam Fund Limited** | | | | |
| Lloyds Bank Fund Managers (Guernsey) Ltd | | | | |
| NAV Fully Paid Dec 31 | $11.10 | | - | - |
| **Wells Fargo U.S. IT Fund** | | | | |
| [illegible] | | | | |
| **Worldwide Limited** | | | | |
| NAV Nov 30 | £77.63 | | - | - |
| **Xiphias International Investment Fd Ltd** | | | | |
| [illegible] | | | | |
| **Zenelt Lombardier Ltd** | | | | |
| NAV Dec 1 | $124.73 | | - | - |
| **Zweig-DiMenna International Limited** | | | | |
| NAV Dec 21 | $138.56 | | - | - |

## OTHER OFFSHORE FUNDS

[illegible]

## OFFSHORE INSURANCES

[illegible]

### MANAGED FUNDS NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales.
(**) Funds not SIB recognised. The regulatory authorities for these funds are:
Bermuda - Bermuda Monetary Authority
Guernsey - Financial Services Commission
Ireland - Central Bank of Ireland
Isle of Man - Financial Supervision Commission
Jersey - Financial Services Department
Luxembourg - Institut Monétaire Luxembourgeois.
Initial charge - Charge made on sale of units.
Selling price - Bid or redemption price.
Buying price - Offer or issue price.
Time - The time shown alongside the fund manager's name is the time of the fund's valuation point unless indicated by one of the following symbols:
(♥) - 0001 to 1100 hours
(♦) - 1101 to 1400 hours
(♣) - 1401 to 1700 hours
(♠) - 1701 to midnight
E - Exit charge on sale of units.
C - Manager's periodic charge deducted from capital.
H - Historic pricing F - Forward pricing
b - Distribution free of UK taxes.
p - Periodic premium insurance plans.
s - Single premium insurance.
u - Designated as a UCITS (Undertakings for Collective Investment in Transferable Securities).
x - Offered price includes all expenses except agent's commission.
z - Previous day's price.
§§ - Guernsey gross.
♦ - Yield before Jersey tax.
† - Ex-subdivision. xd - Ex-dividend.
‡ - Only available to charitable bodies
Φ - Yield column shows annualised rates of NAV increase.

# LONDON STOCK EXCHANGE

MARKET REPORT

# More trouble building up for equity market

By Steve Thompson, UK Stock Market Editor

The US budget debate came back to haunt a UK equity market already suffering from political uncertainty. Wall Street's overnight 67-point slide in the Dow Jones Industrial Average was followed by another heavy sell-off which saw the Dow down more than 50 points shortly after the opening of US markets.

The slide in the US index gathered momentum, with the Dow dropping even further to register a 60-point decline 90 minutes after London had finished.

Investors' unhappiness with the short term prospects for bonds and equities was contrasted by a keen appetite for gold, with bullion prices topping the $400 an ounce mark for the first time since 1993.

But London's marketmakers were not too downhearted with the day's events. Many had been expecting a correction in equities and a retreat by the FT-SE 100 index to somewhere in the region of 3,650.

A trader said most of the big marketmakers had been running trading books modestly biased on the short side, anticipating increasing volatility across global markets.

At its worst, the Footsie got to within 11 points of 3,650, but it quickly stabilised and then rallied to end another extremely volatile session well above the day's low.

At its final reading, the Footsie was 28.8 down at 3,671.5, extending the decline over the past two sessions to 49 points. There was no comfort either for the second liners, with the FT-SE Mid 250 index settling a net 31.4 off at 4,039.5.

There was not much help for equities from bonds, with gilts beginning the day marginally firmer and then seeing those gains gradually eroded. At the close, the 10-year gilt was around five ticks easier. US Treasury bonds endured another painful session after dropping almost a full point overnight.

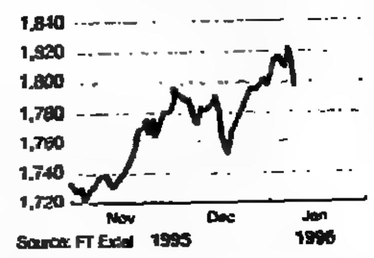
Turnover in equities continued at its recent good levels, just failing to reach the 800m-share mark and totalling 799.4m at 6pm. Non-Footsie stocks accounted for some 52 per cent of the overall figure. Customer, or retail, business on Tuesday was valued at a healthy £1.73bn.

The turnover total was given a substantial boost by the hectic activity in shares in Forte, the hotels and restaurants group being hunted by Granada. Volume in Forte hit an all-time record 48m shares, with investors and institutions thought to be buying the stock aggressively as a cheap way into Granada. The view gathering momentum around the market yesterday was that Granada's increased offer for Forte was likely to succeed. Forte and Granada took first and second place in the FT-SE 100 performance list.

The Forte battle affected Ladbroke and Bass, which fell on worries that they might get involved in a bidding war for Forte's Méridien and Exclusive hotels.

There was more disappointment in a retail sector still concerned with the profits warning issued by House of Fraser on Tuesday. Yesterday's trading news from Dixons and Next failed to excite the market, while Kingfisher's further excursion into electrical retailing in France left the shares sharply lower. Today sees trading updates from Boots, Sears and Storehouse.

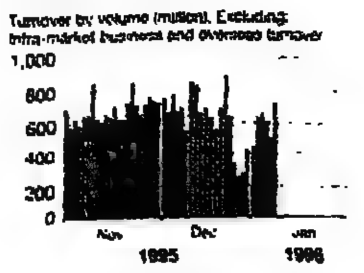
### FT-SE-A All-Share index



Source: FT Extel

### Equity shares traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover




### Indices and ratios

| | | |
|---|---|---|
| FT-SE 100 | 3671.5 | -28.8 |
| FT-SE Mid 250 | 4039.5 | -31.4 |
| FT-SE-A 350 | 1825.4 | -14.3 |
| FT-SE-A All-Share | 1799.91 | -13.44 |
| FT-SE-A All-Share yield | 3.80 | (3.77) |
| FT Ordinary index | 2725.9 | -12.8 |
| FT-SE-A Non Fins p/e | 16.68 | (16.81) |
| FT-SE 100 Fut Mar | 3692.0 | -33.0 |
| 10 yr Gilt yield | 7.49 | (7.47) |
| Long gilt/equity yld ratio | 2.07 | (2.09) |

### Best performing sectors

1. Leisure & Hotels ........ +1.3
2. Household Goods ........ +0.2
3. Electronic & Elec ........ +0.2
4. Health Care ........ -0.2
5. Tobacco ........ -0.2

### Worst performing sectors

1. Extractive Inds ........ -1.6
2. Oil Exploration ........ -1.6
3. Mineral Extraction ........ -1.6
4. Oil,Integrated ........ -1.5
5. Pharmaceuticals ........ -1.4

# Motorola news hits Vodafone

The Motorola factor hit London telecoms stocks, with hard-pressed **Vodafone** enduring another bout of selling.

The US telecoms group reported weaker than expected earnings late on Tuesday and the shares fell some 15 per cent. As a result, Vodafone, which had already tumbled more than 20 per cent since the beginning of November, fell a further 5 to 212p.

**Securicor**, which has a 40 per cent stake in Cellnet, weakened 16 to 842p in the "A"s. And **Cable and Wireless** was down 7 at one stage but recovered to close 2 up at 456p. The sector was hard hit in mid-December by a profits warning from Nokia, of Finland, and suffered again this month after Vodafone and Cellnet announced disappointing sales figures for December.

## Tunnel relief

Channel tunnel operator **Eurotunnel** bounced from its historic lows, rising 7 to 84p. The group confounded market expectations with a 21 per cent increase in traffic in December compared to the previous month. It also proposed a 10-year bond issue backed by both UK and French governments to ease its financial position.

Dealers had previously marked the London-traded units lower on speculation that the company would announce some form of profits warning during the visit by journalists to its Calais site. Eurotunnel said the increase in traffic marked the best period for the company in 1995.

However, it added that it had suffered from the strikes that paralysed Paris in December, with 659 passenger trains operating compared to 897 in November. The strikes also severely affected cargo trains, with only 88 trains operating in December compared to 464 in the previous month.

The statement failed to give much relief to the banks which have taken on much of Eurotunnel's debt. With the added pressure from weak US and UK markets, **National Westminster** – the biggest lender – fell 7 to 637p. **Barclays** eased 2½ to 756½p and **HSBC**, which is a lender via its Midland arm, dropped 12½ to 995p in the ordinaries. Volume in HSBC was boosted by a delayed trade of 7.8m shares which went through the electronic trading system at 1027p a share.

## Carlton boosted

Suggestions that changes at the top of the BBC would be positive for independent production companies helped some broadcasters yesterday.

One influential broker was believed to be pointing out that Sir Christopher Bland, the former LWT chairman who is replacing Mr Marmaduke Hussey, is thought to be a tough Thatcherite who believes in competitive tendering.

The rationale was that, while it may do little for staff morale at the BBC, it would be good news for **Carlton Communications**, which is spending £160m on programme making.

It could also benefit **Pearson**, the media conglomerate which owns the Financial Times. Pearson has production capacity in Grundy, Thames, ACI, of the US, and Financial Times Television. Carlton improved 5 to 990p and Pearson was steady with a loss of only a penny at 626p.

Persistent buying throughout the session pushed turnover in Forte to 48m shares, its highest ever daily total.

The UK hotels and restaurants group, which is under siege from **Granada Group**, topped the list of the day's best performers after the stock rose 9 to close at 360p, just shy of the cash alternative.

Dealers pointed to ABN Amro Hoare Govett, one of Granada's advisers, as having been on the bid for most of the session, though active profit-taking was said to have contributed to the heavy volume.

Market watchers continued to suggest Granada is likely to win the heated contest. Strong demand pushed the shares 16 higher to 653p, the day's second best performer, in trade of 7.3m. The market was said to be generally underweight in the stock, although traders also suggested there was active buying from those who believe the merged group, should Granada win, to be an attractive buy.

Among food retailers, **J Sainsbury**, which initially rose 10, gave up the early advance as the market expressed its disappointment at the management changes announced yesterday.

The shares closed a penny lighter at 388p, following trade of 4m, with one analyst saying: "These changes are smaller and later than expected and the general feeling in the market is that they do not address the real problems the group is facing."

In the rest of the food retailers, James Capel was said to have downgraded the sector, which cast a shadow over several stocks. **Argyll Group** slipped 8 to 338p, while **Tesco** lost 7 to 299p in trade of 5m.

The early sell-off on Wall Street hit internationally traded issues. Pharmaceuticals, which constituted the best performing sector in the UK last year, were an obvious target. **Glaxo Wellcome** fell 13 to 576p, **SmithKline Beecham** 9 to 695p and **Zeneca** 13 to 1235p. Oil majors also came in for profit taking. **BP** and **Shell Transport**, both trading around historic highs, slipped 12 and 8 to 534p and 866p respectively.

**Reuters Holdings**, the international news and financial information group, lost 9 at 594p and **RTZ**, one of the world's biggest mining companies, which has been suffering from a volatile copper market recently, dipped 17 to 877p.

Talk that Carnival Cruise of the US may bid for UK tour operator **Airtours** returned to drive the shares forward. They put on 12 to 418p.

There was active profit-taking among retail stocks as several posted trading updates.

Interim figures from **Dixons**, disappointed the more optimistic analysts, though they were all cheered by news that like-for-like sales in the first eight weeks of the second half (including the Christmas period) were up 10 per cent. The sector sell-off left the shares 14½ lighter at 409½p. Volume was heavy, reaching 9.4m by the close.

**Next** also came under pressure and the shares lost 16 to 437p, despite satisfactory sales figures for the period July to December 1995.

BZW yesterday upgraded profit expectations at the group. It raised current year profit expectations by £4m to £122m and the following year's figure was also raised by £4m to £138m. The broker said the move was to reflect confirmation that sales accelerated after a weak summer."

Elsewhere in the sector, **Kingfisher** gave up 16 to 528p. The Group's Darty subsidiary is buying a 20 per cent stake in But, a French electrical retailer.

The prospect of a merger or takeover of **British Aerospace** continued to boost the company's shares. The stock gained a further 9 to 833p.

There was speculation that **Ladbroke** is planning a rights issue to acquire the Méridien chain from Forte should the Granada bid succeed. The shares closed 2 off at 148p, after trade of 7.5m.

MARKET REPORTERS:
Peter John,
Joel Kibazo.

### FINANCIAL TIMES EQUITY INDICES

| | Jan 10 | Jan 9 | Jan 8 | Jan 5 | Jan 4 | Yr ago | *High | *Low |
|---|---|---|---|---|---|---|---|---|
| Ordinary Share | 2725.9 | 2738.7 | 2750.5 | 2737.2 | 2734.1 | 2351.4 | 2750.5 | 2233.3 |
| Ord. div. yield | 3.98 | 3.96 | 3.94 | 3.98 | 3.97 | 4.45 | 4.73 | 3.94 |
| P/E ratio net | 16.08 | 16.18 | 16.27 | 16.18 | 16.14 | 17.72 | 21.33 | 15.35 |
| P/E ratio nil | 15.88 | 15.97 | 16.06 | 15.98 | 17.16 | 67.1 | 22.21 | 15.17 |

*For 1995/96. Ordinary Share index since compilation: high 2750.5 8/01/96, low 49.4 26/6/40. Base Date: 1/7/35.

Ordinary Share hourly changes

| Open | 9.00 | 10.00 | 11.00 | 12.00 | 13.00 | 14.00 | 15.00 | 16.00 | High | Low |
|---|---|---|---|---|---|---|---|---|---|---|
| 2723.9 | 2726.5 | 2730.6 | 2726.4 | 2729.6 | 2734.8 | 2731.0 | 2720.3 | 2721.4 | 2734.5 | 2718.6 |

| | Jan 10 | Jan 9 | Jan 8 | Jan 5 | Jan 4 | Yr ago |
|---|---|---|---|---|---|---|
| SEAQ bargains | 31,370 | 31,218 | 33,233 | [illegible] | 32,165 | 21,429 |
| Equity turnover (£m)† | - | 1728.1 | 1287.0 | 1491.1 | 1674.1 | 1409.4 |
| Equity bargains† | - | 38,294 | 38,319 | 35,176 | 37,119 | 28,954 |
| Shares traded (mil)† | - | 739.0 | 520.4 | 604.3 | 639.3 | 619.9 |

†Excluding intra-market business and overseas turnover

■ London market data

| Rises and falls* | | 52 Week highs and lows | | LIFFE Equity options | |
|---|---|---|---|---|---|
| Total Rises | 449 | Total Highs | 111 | Total contracts | 43,230 |
| Total Falls | 947 | Total Lows | 36 | Calls | 18,729 |
| Same | 1,448 | | | Puts | 24,501 |

Jan 10 *Data based on Equity shares listed on the London Share Service.

### FUTURES AND OPTIONS

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 3715.0 | 3692.0 | -39.0 | 3722.0 | 3680.0 | 13909 | 62595 |
| Jun | 3700.0 | 3694.0 | -39.0 | 3700.0 | 3700.0 | 1 | 1116 |

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 4073.0 | 4050.0 | -42.0 | 4073.0 | 4045.0 | 98 | 3312 |

■ FT-SE 100 INDEX OPTION (LIFFE) (*3664) £10 per full index point

| | 3500 C | 3500 P | 3550 C | 3550 P | 3600 C | 3600 P | 3650 C | 3650 P | 3700 C | 3700 P | 3750 C | 3750 P | 3800 C | 3800 P | 3850 C | 3850 P |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Jan | [illegible] | | | | | | | | | | | | | | | |
| Feb | [illegible] | | | | | | | | | | | | | | | |
| Mar | [illegible] | | | | | | | | | | | | | | | |
| Apr | 214½ | 37 | 177 | 48½ | 144 | 65½ | 113 | 84 | 88 | 109 | 63½ | 134 | 46½ | 167½ | 30½ | 203½ |
| Jun† | 248 | 63 | | | 178½ | 91½ | | | 120½ | 130½ | | | 75 | 186 | | |

Calls 3,701 Puts 12,129

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

| | 3525 C | 3525 P | 3575 C | 3575 P | 3625 C | 3625 P | 3675 C | 3675 P | 3725 C | 3725 P | 3775 C | 3775 P | 3825 C | 3825 P | 3875 C | 3875 P |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Jan | 132 | 1½ | 184½ | 4 | 61 | 10½ | 28½ | 25½ | 7 | 55½ | 1 | 99½ | 1 | 149 | 1 | 198½ |
| Feb | 173 | 11 | 130½ | 19 | 92 | 29½ | 58 | 45 | 33½ | 70 | 17½ | 103½ | 8 | 144 | 3 | 189 |
| Mar | 187 | 22½ | 148½ | 30½ | 110 | 43½ | 79½ | 63 | 56 | 88½ | 36½ | 118½ | 22½ | 154 | 14 | 194½ |
| Jun | 229 | 64½ | | | 180 | 98 | | | 108½ | 136½ | | | 85 | 192 | | |
| Sept† | 275 | 95½ | | | 211½ | 127½ | | | 153½ | 165 | | | 107½ | 214½ | | |

Calls 4,129 Puts 4,464 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

### LONDON RECENT ISSUES: EQUITIES

| Issue price p | Amt paid up | Mkt. cap (£m.) | 1995/96 High | 1995/96 Low | Stock | Close price p | +/- | Net div. | Div. cov. | Grs yld | P/E net |
|---|---|---|---|---|---|---|---|---|---|---|---|
| - | F.P. | 27.0 | 29 | 23 | Cash Converters | 27 | | MV2.6 | 3.1 | 12.0 | 20.2 |
| - | F.P. | 23.4 | 125 | 116 | Century Inns | 117 | | - | - | - | - |
| - | F.P. | 12.2 | 510 | 500 | †Com de Pari Fin | 510 | | - | - | - | - |
| - | F.P. | 65.5 | 113 | 108 | Cox Insurance | 113 | | - | - | - | - |
| - | F.P. | 14.6 | 60 | 52 | †Crown Products | 58 | | - | - | - | - |
| - | F.P. | 13.7 | 90 | 73 | †Dmatek | 73 | -2 | - | - | - | - |
| 100 | F.P. | 28.4 | 107 | 98 | Finsbury Tech | 107 | | - | - | - | - |
| 200 | F.P. | 21.6 | 203 | 198 | Gearhouse | 200 | | Lv4.4 | 3.5 | 2.8 | 13.1 |
| - | F.P. | 26.1 | 88 | 73 | Jupiter Split Cap | 87 | | - | - | - | - |
| - | F.P. | 54.3 | 101 | 99 | Jupiter Split Inc | 99½ | | K7.24 | - | 9.1 | - |
| - | F.P. | 99.0 | £59 | £58 | Jupiter Split Units | £59 | | 7.24 | - | 0.2 | - |
| - | F.P. | 11.8 | 28 | 20 | †Manx & O'seas | 20 | -1 | - | - | - | - |
| 204 | F.P. | 3,322.8 | 214½ | 195 | National Grid | 196½ | +1 | Wv11.23 | 2.3 | 7.1 | 8.8 |
| - | F.P. | 6.59 | 78 | 75 | †Nthn Petim | 75 | | - | - | - | - |
| - | F.P. | 0.13 | 8 | 8 | †Do Wrnts | 8 | | - | - | - | - |
| - | F.P. | 28.8 | 152 | 124 | †Polymasc Pharms | 134 | -2 | - | - | - | - |
| - | F.P. | 1.07 | 105 | 100 | †Revelation P'dity | 100 | | - | - | - | - |
| - | F.P. | 3.15 | 3¾ | 3 | †Rushmere Wynne | 3½ | | - | - | - | - |
| - | F.P. | 0.85 | 7½ | 6½ | †SkyePh B Wrts | 7 | | - | - | - | - |
| 133 | F.P. | 47.9 | 143 | 133 | Unicorn Intl | 143 | | Wv5.5 | 2.2 | 4.8 | 11.9 |
| - | F.P. | 180.1 | 260 | 213 | Victrex | 260 | | Lv3.6 | 2.4 | 1.7 | 30.4 |
| - | F.P. | 4.05 | 135 | 125 | †Viewinn | 135 | | - | - | - | - |

† Alternative Investment Market. For a full explanation of all other symbols please refer to The London Share Service notes.

### FT GOLD MINES INDEX

| | Jan 9 | % chg on day | Jan 8 | Year ago | Gross div yield % | P/E ratio | 52 week High | 52 week Low |
|---|---|---|---|---|---|---|---|---|
| Gold Mines Index (34) | 2174.61 | +0.4 | 2164.75 | 1777.13 | 1.84 | - | 2164.75 | 1697.91 |
| ■ Regional Indices | | | | | | | | |
| Africa (18) | 2897.75 | +0.4 | 2885.09 | 2888.43 | 3.14 | 30.32 | 2907.77 | 2272.74 |
| Australasia (6) | 2629.74 | +0.8 | 2614.97 | 2129.35 | [illegible] | 41.26 | 2614.97 | 1789.20 |
| North America (12) | 1906.05 | +0.4 | 1897.97 | 1396.67 | 0.71 | 56.56 | 1897.97 | 1396.18 |

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### FT-SE Actuaries Share Indices — The UK Series

| | Jan 10 | Day's chge% | Jan 9 | Jan 8 | Jan 5 | Year ago | Div. yield% | Earn. yield% | P/E ratio | Xd adj. ytd | Total Return |
|---|---|---|---|---|---|---|---|---|---|---|---|
| FT-SE 100 | 3671.5 | -0.8 | 3700.3 | 3720.6 | 3704.5 | 3049.4 | 3.91 | [illegible] | 15.49 | 2.43 | 1489.45 |
| FT-SE Mid 250 | 4039.5 | -0.8 | 4070.9 | 4080.1 | 4071.2 | 3478.6 | 3.62 | [illegible] | 18.93 | 5.84 | 1593.55 |
| FT-SE Mid 250 ex Inv Trusts | [illegible] | | | | | | | | | | |
| FT-SE-A 350 | 1825.4 | -0.8 | 1839.7 | 1848.5 | 1841.4 | 1528.5 | [illegible] | | | | |
| FT-SE-A 350 Higher Yield | [illegible] | | | | | | | | | | |
| FT-SE-A 350 Lower Yield | [illegible] | | | | | | | | | | |
| FT-SE SmallCap | [illegible] | | | | | | | | | | |
| FT-SE SmallCap ex Inv Trusts | [illegible] | | | | | | | | | | |
| FT-SE-A ALL-SHARE | 1799.91 | -0.7 | 1813.35 | 1821.21 | 1813.15 | 1513.15 | 3.80 | [illegible] | | | |

■ FT-SE Actuaries All-Share

| | Jan 10 | Day's chge% | Jan 9 | Jan 8 | Jan 5 | Year ago | Div. yield% | Net cover | P/E ratio | Xd adj. ytd | Total Return |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 10 MINERAL EXTRACTION(25) | [illegible] | | | | | | | | | | |
| 12 Extractive Industries(6) | [illegible] | | | | | | | | | | |
| 15 Oil, Integrated(3) | [illegible] | | | | | | | | | | |
| 16 Oil Exploration & Prod(16) | [illegible] | | | | | | | | | | |
| 20 GEN INDUSTRIALS(278) | [illegible] | | | | | | | | | | |
| 21 Building & Construction(34) | [illegible] | | | | | | | | | | |
| 22 Building Matls & Merchs(29) | [illegible] | | | | | | | | | | |
| 23 Chemicals(23) | [illegible] | | | | | | | | | | |
| 24 Diversified Industrials(21) | [illegible] | | | | | | | | | | |
| 25 Electronic & Elect Equip(38) | [illegible] | | | | | | | | | | |
| 26 Engineering(71) | [illegible] | | | | | | | | | | |
| 27 Engineering, Vehicles(13) | [illegible] | | | | | | | | | | |
| 28 Paper, Pckg & Printing(28) | [illegible] | | | | | | | | | | |
| 29 Textiles & Apparel(19) | [illegible] | | | | | | | | | | |
| 30 CONSUMER GOODS(88) | [illegible] | | | | | | | | | | |
| 32 Alcoholic Beverages(6) | [illegible] | | | | | | | | | | |
| 33 Food Producers(24) | [illegible] | | | | | | | | | | |
| 34 Household Goods(15) | [illegible] | | | | | | | | | | |
| 36 Health Care(20) | [illegible] | | | | | | | | | | |
| 37 Pharmaceuticals(12) | [illegible] | | | | | | | | | | |
| 38 Tobacco(1) | [illegible] | | | | | | | | | | |
| 40 SERVICES(224) | [illegible] | | | | | | | | | | |
| 41 Distributors(33) | [illegible] | | | | | | | | | | |
| 42 Leisure & Hotels(24) | [illegible] | | | | | | | | | | |
| 43 Media(45) | [illegible] | | | | | | | | | | |
| 44 Retailers, Food(15) | [illegible] | | | | | | | | | | |
| 45 Retailers, General(43) | [illegible] | | | | | | | | | | |
| 47 Breweries, Pubs & Rest.(24) | [illegible] | | | | | | | | | | |
| 48 Support Services(49) | [illegible] | | | | | | | | | | |
| 49 Transport(21) | [illegible] | | | | | | | | | | |
| 60 UTILITIES(36) | [illegible] | | | | | | | | | | |
| 62 Electricity(14) | [illegible] | | | | | | | | | | |
| 64 Gas Distribution(2) | [illegible] | | | | | | | | | | |
| 66 Telecommunications(7) | [illegible] | | | | | | | | | | |
| 68 Water(13) | [illegible] | | | | | | | | | | |
| 69 NON-FINANCIALS(672) | [illegible] | | | | | | | | | | |
| 70 FINANCIALS(108) | [illegible] | | | | | | | | | | |
| 71 Banks, Retail(9) | [illegible] | | | | | | | | | | |
| 72 Banks, Merchant(6) | [illegible] | | | | | | | | | | |
| 73 Insurance(24) | [illegible] | | | | | | | | | | |
| 74 Life Assurance(6) | [illegible] | | | | | | | | | | |
| 77 Other Financial(23) | [illegible] | | | | | | | | | | |
| 79 Property(41) | [illegible] | | | | | | | | | | |
| 80 INVESTMENT TRUSTS(127) | [illegible] | | | | | | | | | | |
| 89 FT-SE-A ALL-SHARE(907) | 1799.91 | -0.7 | 1813.35 | 1821.21 | 1813.15 | 1513.15 | 3.80 | [illegible] | | | |
| FT-SE-A Fledgling | [illegible] | | | | | | | | | | |
| FT-SE-A Fledgling ex Inv Trusts | [illegible] | | | | | | | | | | |

■ Hourly movements

| | Open | 9.00 | 10.00 | 11.00 | 12.00 | 13.00 | 14.00 | 15.00 | 16.10 | High/day | Low/day |
|---|---|---|---|---|---|---|---|---|---|---|---|
| FT-SE 100 | 3675.5 | 3678.6 | 3693.7 | 3673.3 | 3674.2 | 3670.1 | 3665.1 | 3663.9 | 3664.4 | 3690.1 | 3661.5 |
| FT-SE Mid 250 | 4052.4 | 4052.4 | 4053.5 | 4051.5 | 4048.4 | 4045.6 | 4042.6 | 4038.2 | 4036.4 | 4054.4 | 4036.0 |
| FT-SE-A 350 | 1828.2 | 1829.4 | 1831.5 | 1827.3 | 1827.3 | 1825.5 | 1823.2 | 1822.5 | 1822.5 | 1834.1 | 1821.4 |

■ FT-SE Actuaries 350 Industry baskets

| | Open | 9.00 | 10.00 | 11.00 | 12.00 | 13.00 | 14.00 | 15.00 | 16.10 | Close | Previous | Change |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Bldg & Constrn | 1043.9 | 1045.9 | 1044.6 | 1040.7 | 1040.3 | 1040.3 | 1040.1 | 1040.2 | 1039.7 | 1040.0 | 1052.7 | -12.7 |
| Pharmaceuticals | 4951.3 | 4951.0 | 4948.2 | 4931.8 | 4930.3 | 4925.8 | 4914.4 | 4911.0 | 4913.8 | 4913.6 | 4981.6 | -68.0 |
| Water | 2073.2 | 2073.2 | 2079.4 | 2072.2 | 2070.9 | 2070.2 | 2068.7 | 2065.6 | 2061.5 | 2065.0 | 2078.4 | -13.4 |
| Banks, Retail | 4040.1 | 4042.5 | 4051.8 | 4035.7 | 4037.3 | 4035.6 | 4033.7 | 4030.5 | 4044.9 | 4049.2 | 4078.2 | -29.0 |

[illegible]

### TRADING VOLUME

■ Major Stocks Yesterday

| | Vol 000s | Closing price | Day's change |
|---|---|---|---|
| 3i† | 1,400 | 418 | [illegible] |
| ASDA Group† | 2,700 | 110½ | -1 |
| Abbey National† | 1,900 | [illegible] | -6 |
| Albert Fisher | 135 | 50 | [illegible] |
| Allied Domecq† | 1,500 | 548 | -3 |
| Anglian Water | 153 | 579 | [illegible] |
| Argos† | 1,400 | 570 | -14 |
| Argyll Group† | 3,300 | 338 | -8 |
| Arjo Wiggins | 702 | 181 | -3 |
| Assoc. Brit. Foods† | 624 | 366½ | +1½ |
| Assoc. Brit. Ports | 548 | 258 | -4 |
| BAA† | 1,600 | 475 | -9 |
| BAT Inds† | 7,700 | 553 | -7 |
| BET | 662 | 130 | |
| BICC | 3,600 | 301 | -4 |
| BOC† | 829 | 914 | -1 |
| BP† | 5,600 | 534 | -12 |
| BPB Inds. | 1,700 | 289 | -1 |
| BSkyB† | 1,700 | 409 | -6 |
| BT† | 7,800 | 357½ | +1½ |
| BTR† | 6,900 | 331 | -1 |
| Bank of Scotland† | 2,200 | 295½ | -4½ |
| Barclays† | 2,700 | 756½ | -2½ |
| Bass† | 2,300 | 717 | [illegible] |
| Blue Circle† | 1,100 | 334 | [illegible] |
| Booker | 198 | 371 | [illegible] |
| Boots† | 3,100 | 588 | -11 |
| Britannic | 376 | 788 | -11 |
| Brit. Aerospace† | 4,500 | 833 | +9 |
| British Airways† | 3,300 | 423 | -3½ |
| British Gas† | 14,000 | 260 | -1 |
| British Land | 3,700 | 403 | |
| British Steel† | 2,600 | 166¼ | -¼ |
| Bunzl | 1,600 | 204 | -1½ |
| Burmah Castrol† | 368 | 959 | -3 |
| Burton† | 2,400 | 130½ | [illegible] |
| Cable & Wire† | 2,900 | 456 | +2 |
| Cadbury Schweppes† | 2,900 | 547 | -4 |
| Caradon | 3,400 | 219 | [illegible] |
| Carlton Comms.† | 677 | 990 | +5 |
| Coats Viyella | 941 | 181½ | -3½ |
| Comm. Union† | 1,100 | 614 | -4 |
| Compass | 955 | 478 | -7 |
| Cookson† | 3,600 | 269½ | -4 |
| Courtaulds† | 1,000 | 424 | -4 |
| Dalgety | 646 | 417 | -2 |
| De La Rue | 563 | 884 | +1 |
| Dixons† | 9,400 | 409½ | -14½ |
| East Midland Elec. | 535 | 637 | -9 |
| Electrocomps | 626 | 336 | -9 |
| [illegible] | | | |

# WORLD STOCK MARKETS

## EUROPE

AUSTRIA (Jan 10 / Sch)

BELGIUM/LUXEMBOURG (Jan 10 / Frs.)

CZECH REP (Jan 10 / Koruna)

DENMARK (Jan 10 / Kr)

FINLAND (Jan 10 / Mks)

FRANCE (Jan 10 / Frs.)

GERMANY (Jan 10 / Dm.)

GREECE (Jan 10 / Drachma)

ITALY (Jan 10 / Lire)

NETHERLANDS (Jan 10 / Fls.)

NORWAY (Jan 10 / Kroner)

POLAND (Jan 10 / Zloty)

PORTUGAL (Jan 10 / Escudo)

SPAIN (Jan 10 / Pts.)

SWEDEN (Jan 10 / Kronor)

SWITZERLAND (Jan 10 / Frs.)

TURKEY (Jan 10 / Tk Lira)



## PACIFIC

JAPAN (Jan 10 / Yen)

AUSTRALIA (Jan 10 / Aust$)

HONG KONG (Jan 10 / H.K.$)

INDONESIA (Jan 10 / Rupiah)

MALAYSIA (Jan 10 / MYR)

NEW ZEALAND (Jan 10 / NZ $)

SINGAPORE (Jan 10 / S$)

SOUTH KOREA (Jan 10 / Won)

TAIWAN (Jan 10 / TW $)

THAILAND (Jan 10 / Baht)

## NORTH AMERICA

CANADA

TORONTO (Jan 10 / Can $) 4 pm close

MONTREAL (Jan 10 / Can $) 4 pm close

## AFRICA

SOUTH AFRICA (Jan 10 / Rand)

## INDICES

## US INDICES

| Dow Jones | Jan 9 | Jan 8 | Jan 5 | 1995/96 High | 1995/96 Low | Since compilation High | Since compilation Low |
|---|---|---|---|---|---|---|---|
| Industrials | 5130.13 | 5137.08 | 5181.43 | 5216.47 (13/12/95) | 3832.08 (30/1/95) | 5216.47 (13/12/95) | 41.22 (2/7/32) |
| Home Bonds | 105.42 | 105.20 | 105.40 | 105.58 (4/1/96) | 93.83 (3/1/95) | 109.77 (18/10/93) | 54.99 (1/10/81) |
| Transport | 1949.56 | 1986.02 | 1986.21 | 2082.11 (5/12/95) | 1473.19 (3/1/95) | 2082.11 (5/12/95) | 12.32 (8/7/32) |
| Utilities | 227.92 | 229.62 | 229.62 | 228.82 (5/1/96) | 183.03 (3/1/95) | 256.45 (31/8/93) | 10.50 (8/4/32) |

DJ Ind. Day's High 5228.23 (5225.80) Low 5100.88 (5160.88) (Theoretical)
Day's High 5212.22 (5207.08) Low 5116.40 (5150.34) (Actual)

| Standard and Poors | Jan 9 | Jan 8 | Jan 5 | 1995/96 High | 1995/96 Low | Since compilation High | Since compilation Low |
|---|---|---|---|---|---|---|---|
| Composite‡ | 600.45 | 618.46 | 616.71 | 621.69 (13/12/95) | 459.11 (3/1/95) | 621.69 (13/12/95) | 4.40 (1/6/32) |
| Industrials♥ | 714.69 | 729.21 | 723.33 | 731.05 (13/12/95) | 546.28 (3/1/95) | 731.05 (13/12/95) | 3.62 (21/6/32) |
| Financial | 59.93 | 60.60 | 60.81 | 63.06 (6/12/95) | 41.64 (3/1/95) | 63.86 (6/12/95) | 8.64 (1/10/74) |
| NYSE Comp. | 327.48 | 331.26 | 330.18 | 332.83 (3/1/96) | 250.73 (3/1/95) | 332.83 (3/1/96) | 4.46 (25/4/42) |
| Amex Mkt Val | 341.89 | 348.35 | 343.92 | 353.88 (12/9/95) | 433.12 (3/1/95) | 353.88 (12/9/95) | 29.31 (9/12/72) |
| NASDAQ Comp | 998.81 | 1032.37 | 1033.47 | 1069.79 (4/12/95) | 743.58 (3/1/95) | 1069.79 (4/12/95) | 54.87 (31/10/72) |

### ■ RATIOS

| | Jan 5 | Dec 29 | Dec 22 | Year ago |
|---|---|---|---|---|
| Dow Jones Ind. Div. Yield | 2.29 | 2.30 | 2.31 | 2.76 |
| | Jan 3 | Dec 27 | Dec 20 | Year ago |
| S & P Ind. Div. yield | 1.95 | 1.98 | 2.02 | 2.45 |
| S & P Ind. P/E ratio | 18.95 | 18.75 | 18.49 | 18.71 |

### ■ NEW YORK ACTIVE STOCKS

| Tuesday | Stocks traded | Close price | Change on day |
|---|---|---|---|
| MI Semi | 9,192,800 | 17 | -4¾ |
| Motorola | 8,742,400 | 53 | -3¼ |
| Loral | 7,446,100 | 43¾ | -⅛ |
| Micron Tech | 6,207,300 | 38⅞ | -2⅞ |
| Cypress Semi | 6,098,700 | 10⅝ | -1⅝ |
| Ford Motor | 4,531,000 | 29⅝ | -¾ |
| ITT Inds | 4,311,200 | 23⅝ | +⅛ |
| Barrick Gold | 4,282,000 | 29 | +⅜ |
| Texas Inst | 3,567,400 | 44⅞ | -3⅜ |

### ■ TRADING ACTIVITY

| ● Volume (million) | Jan 9 | Jan 8 | Jan 5 |
|---|---|---|---|
| New York SE | 420.127 | 131.556 | 433.351 |
| Amex | 20.132 | 7.774 | 24.925 |
| NASDAQ | 555.801 | 145.360 | 559.162 |
| NYSE | | | |
| Issues Traded | 3,071 | 2,850 | 3,101 |
| Rises | 846 | 1,283 | 1,143 |
| Falls | 1,568 | 891 | 1,159 |
| Unchanged | 657 | 806 | 799 |
| New Highs | 155 | 120 | 104 |
| New Lows | 14 | 8 | 25 |

| ■ S&P 500 | Open | Latest | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 606.50 | 607.00 | -1.50 | 608.40 | 605.50 | 96,370 | 199,819 |
| Jun | 612.60 | 612.80 | -1.10 | 614.40 | 611.30 | 816 | 5,912 |

| ■ Nikkei 225 | Open | Sett price | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 20450.0 | 20640.0 | -60.0 | 20750.0 | 20450.0 | 24,744 | 139,022 |
| Jun | 20470.0 | 20640.0 | -10.0 | 20640.0 | 20470.0 | 422 | 18,369 |

Open interest figures for previous day.

## INDEX FUTURES

Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. Day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

### ■ TOKYO - MOST ACTIVE STOCKS: Wednesday, January 10, 1995

| | Stocks Traded | Closing Prices | Change on day |
|---|---|---|---|
| Nissho Iwai | 17.4m | 581 | +38 |
| Kitagawa Iron Wk | 12.9m | 949 | +19 |
| Toshiba Corp | 11.3m | 848 | -12 |
| Keisei Ele Ry | 10.1m | 878 | -15 |
| Toho Zinc Co | 9.9m | 825 | -24 |
| Hyogo Bank | 8.5m | 1 | -1 |
| Daido Stl Sheet | 8.4m | 1810 | -110 |
| Nippon Steel Corp | 8.0m | 365 | |
| Mitsubishi Oil | 6.9m | 943 | +3 |
| Hanwa | 6.4m | 430 | -19 |

Prices supplied by Telekurs

NOTES – Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1995/96, except Toronto & Montreal (daily). # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

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4 pm close January 10

# NEW YORK STOCK EXCHANGE COMPOSITE PRICES

- B -

- C -

- D -

- E -

- F -

- G -

- H -

- I -

- J -

- K -

- L -

- M -

- N -

- O -

- P - Q -

- R -

- S -



Continued on next page

4 pm close January 10

# NYSE COMPOSITE PRICES

| 1995/96 High | Low | Stock | Div | Yld. % | P/E | Sls 100s | High | Low | Close Quote | Chng Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| **Continued from previous page** | | | | | | | | | | |
| 33¾ | 24¼ | SaraLee | 0.68 | 2.2 | 18 | 5586 | 31¼ | 30½ | 30½ | -¾ |
| 59 | 39⅝ | SBC Cm x | 1.65 | 3.0 | 18 | 6854 | 57⅛ | 55¼ | 55½ | -1¾ |
| 28⅝ | 20½ | Scana Corp | 1.44 | 5.2 | 17 | 892 | 28¼ | 27⅜ | 27⅞ | -⅝ |
| 18⅛ | 14½ | Scecorp x | 1.00 | 5.6 | 10 | 7081 | u18⅛ | 17⅝ | 18 | +⅛ |
| 11¼ | 5⅞ | SchawkA | 0.26 | 3.4 | 19 | 38 | 7⅞ | 7⅝ | 7⅝ | -⅛ |
| 50¼ | 37¼ | ScheringP | | | 23 | 1387 | 44¼ | 43½ | 43⅝ | +1⅛ |
| 60¾ | 35½ | SchrPl | 1.16 | 2.2 | 19 | 10384 | 55⅞ | 53⅝ | 53⅝ | -1½ |
| 70⅞ | 50⅛ | Schlmb | 1.50 | 2.3 | 25 | 5278 | 67⅝ | 66⅞ | 66⅞ | -1⅜ |
| 29 | 11¾ | Schwab(C) | 0.16 | 0.8 | 20 | 5402 | 18⅝ | 18⅜ | 18⅜ | -1⅛ |
| 23⅝ | 20⅞ | SchwMaud | | | | 816 | 23⅛ | 22⅞ | 23¼ | +½ |
| 24⅞ | 11⅞ | SciAtl | 0.06 | 0.4 | 18 | 11647 | 14½ | 13⅛ | 13⅜ | -1¼ |
| 20 | 15⅛ | Scotsman x | 0.10 | 0.6 | 11 | 75 | 17¾ | 17½ | 17¾ | +⅛ |
| 40⅝ | 26⅞ | Scripps | 0.52 | 1.3 | 28 | 1082 | 39 | 38¼ | 38¾ | |
| 21½ | 13⅞ | ScuddrNAsF | 0.02 | 0.1 | | 76 | 16½ | 16¼ | 16⅜ | -⅛ |
| 11¾ | 8⅝ | ScuddrNEuF | 0.16 | 1.4 | | 232 | 11⅝ | 11½ | 11½ | -⅛ |
| 20 | 13⅞ | SeaCnB | 0.70 | 4.1 | 1 | 2 | 17⅛ | 17⅛ | 17⅛ | +⅛ |
| 16¼ | 14⅝ | SeaC1 4625 | 1.46 | 9.4 | | 3 | 15¾ | 15½ | 15½ | -½ |
| 54⅞ | 23⅝ | S'gate | | | 10 | 20100 | 49 | 46⅝ | 47⅞ | +1⅛ |
| 39½ | 25⅝ | Seagrm | 0.60 | 1.7 | 23 | 3981 | 34⅞ | 34¼ | 34⅜ | -1 |
| 22½ | 15¼ | Seagull En | | | 75 | 1173 | 20⅜ | 19½ | 20¼ | +¼ |
| 30⅞ | 18 | Sealed Air | | | 22 | 1263 | 27 | 28 | 28 | -⅞ |
| 43⅝ | 30⅞ | SearsR | 0.92 | 2.2 | 11 | 22538 | u43⅝ | 41⅞ | 42¼ | |
| 20½ | 16⅛ | SecCapStl | 1.24 | 6.3 | 23 | 447 | 19⅜ | 19⅝ | 19⅜ | +⅛ |
| 12⅞ | 10⅝ | Seligm Sel | 0.84 | 6.7 | | 47 | 12⅜ | 12⅝ | 12⅝ | |
| 38¼ | 16¼ | Sensormat | 0.22 | 1.3 | 18 | 5214 | 17¾ | 17 | 17½ | |
| [illegible] | | | | | | | | | | |

- T -

- U -

- V -

- W -

- X - Y - Z -

4 pm close January 10

# NASDAQ NATIONAL MARKET

- A -

- B -

- C -

- D -

- E -

- F -

- G -

- H -

- I -

- J -

- K -

- L -

- M -

- N -

- O -

- P - Q -

- R -

- S -

- T -

- U -

- V -

- W -

- X - Y - Z -

# AMEX COMPOSITE PRICES

4 pm close January 10

AMERICA

# US equities volatile in midsession trading

## Wall Street

US share prices were extremely volatile yesterday morning as investors reacted to mixed earnings news and looked for bargains in shares that sold off sharply on Tuesday, *writes Lisa Bransten in New York.*

The Dow Jones Industrial Average fell more than 50 points in the first 40 minutes of trading, triggering restrictions on program trading. Those restrictions were lifted at late morning when the index moved within 25 points of Tuesday's closing level, but they were reimposed at 12.45 pm as the drop on the Dow once again exceeded 50 points.

At 1 pm the Dow Jones Industrial Average had added a decline of 65.04 to Tuesday's 67.55-point drop, bringing the index to 5,065.09. That was its first close below 5,100 points since December 28.

The Standard & Poor's 500 was 7.28 lower at 602.17 and the American Stock Exchange composite slipped 4.91 to 536.78. Volume on the NYSE was heavy at 402m shares.

Technology companies were especially active in the wake of Tuesday's 3 per cent decline in the Nasdaq composite, which is weighted toward that sector.

At the opening the Nasdaq fell another 1 per cent amid worries about poor fourth-quarter earnings brought on by weaker than expected results from Motorola that were released after the market closed on Tuesday. Later the Nasdaq rose 5 points above Tuesday's close, before retreating in the early afternoon.

By 1 pm the Nasdaq was off 6.22 at 992.59 and the Pacific Stock Exchange technology index had lost 0.7 per cent.

Motorola was at $48⅞, $4¾ lower than the official NYSE closing level, but $3¼ ahead of the $45⅝ it fell to in after-hours' trading on Tuesday.

Meanwhile, Seagate Technology, which posted stronger than expected second-quarter earnings late on Tuesday, added $2⅛ at $48⅞.

In general, activity in technology shares was mixed. Microsoft recovered some of the $6$\frac{1}{16}$ it shed on Tuesday, rising $1$\frac{3}{16}$ to $81½, and Sun Microsystems added $1¼ at $38⅝, while Intel dropped $1⅛ to $53⅞ and America Online was off $1⅛ at $33⅝.

Dun & Bradstreet climbed $2½ to $67⅞ after announcing that it planned to split into three separate public companies in order to increase shareholder value.

## Canada

Toronto was weak in midday trade, pulled lower by Wall Street, although it showed relative strength as shares recovered from their lows. The TSE 300 composite index was 11.68 weaker by noon at 4,800.77, up from an early low of 4,783.57, in very heavy volume of 55.3m shares. Barrick Gold added C$⅛ at C$40⅛.

Arequipa Resources rose C$⅝ to C$6¼ after the gold and copper company announced assay results from its Pierina prospect in Peru. Hummingbird Communications, up C$1¼ at C$48, led a recovery in some of the high-technology companies.

## SOUTH AFRICA

Johannesburg shrugged off the weaker overnight performance on Wall Street and nervousness over whether the bullion price would continue to climb, to leave the overall and industrial indices at record highs for the sixth consecutive session. The overall index moved up 9.4 to 6,638.3, industrials gained 4.2 at 8,316.3 and golds rose 12.7 to 1,584.5.

EUROPE

# High-techs tumble on Motorola effect

The Motorola effect reasserted itself as high-tech stocks tumbled in Europe. In Sweden, an embattled Ericsson repeated earlier forecasts that the fourth quarter of last year would produce higher profits than its counterpart in 1994, but its B shares still fell SKr9 or 7 per cent to SKr119.50 after an earlier low of SKr113.

HELSINKI's Nokia A tested their 1995/96 low, bottoming at FM130 before Ericsson's encouragement took them back up to FM146, down FM7.20 or 5 per cent; the Hex index fell 34.52 or 2 per cent to 1,651.67.

In VIENNA, meanwhile, shares in Austria Mikro Systeme International (AMS), which supplies Nokia with microchips, dropped Sch85 or 4.9 per cent to Sch1,650 as the ATX index fell by a percentage point, closing 10.57 lower at 1,019.57.

AMSTERDAM fell back through the 500 level as two of its high-tech companies suffered. Philips lost Fl 1.90 to Fl 60.70 and Baan, a computer software company, eased Fl 5 to Fl 67. The AEX index slipped 1.68 to 499.21.

STOCKHOLM turnover was very heavy at SKr5bn. This was because the market had more than Ericsson to worry about. One of its other big stars, the pharmaceuticals group Astra, said that market expectations for 1996 and 1997 were slightly too high, and that investors had not taken currency movements into account.

The news coincided with a strategic shift away from the drugs sector, and a Goldman Sachs investment letter which downgraded its 1996 and 1997 earnings forecasts for the company: from SKr16.20 to SKr15.40 and from SKr18.75 to SKr16.90 respectively. Astra A fell SKr13 to SKr261 and the Affärsvärlden General index by 36.1 or 2.1 per cent to 1,706.9.

FRANKFURT's Dax index fell 11.16 to an Ibis-indicated 2,340.31, but dealers said that it had held up well under pressure from Wall Street and from Merrill Lynch downgrades in the banking sector.

Turnover eased from DM10.3bn to DM9.5bn. SAP, the computer group, suffered from the general weakness of high-tech stocks in New York, the prefs losing DM10.80 or 4.7 per cent at DM221.30. But some cyclicals maintained Monday's strength in spite of overnight weakness in the dollar, Hoechst rising DM6.50 to DM407.50.

Banks were weak for the second day in succession and Deutsche, downgraded by Merrill to below average from neutral, dropped DM1.38 or 2 per cent to DM68.56. Among other earnings downgrades for the sector, Merrill's Mr Ian McEwen cut Deutsche's 1996 target from DM6 to DM4.60 a share, adding that its dividend yield was 30 per cent beneath that of its competitors, and that costs and tight interest rate margins were other problem areas.

PARIS featured Eurotunnel, which recovered all of Tuesday's loss following a bullish presentation to analysts in Calais. The company, whose shares rose 30 centimes or 5 per cent to FFr6.50, said that that it was asking both the Parisian and London stock exchange authorities to mount an investigation into what it described as "short selling" of its stock. The group suggested that rumours, which had surfaced in both markets on Monday, had led to heavy selling of its shares.

The group also said yesterday that it expected higher 1996 sales, and said that there was no truth whatsoever in market rumours that the company might have difficulty in rescheduling its debt burden.

The CAC-40 index finished 6.18 down at 1,910.11.

Another recovery was seen in Rhône-Poulenc, which had also been a loser on Tuesday following a profits warning, and the stock gained FFr1.20 at FFr102.

ZURICH extended the week's losses during a further day of profit-taking as foreign investors sold Swiss stocks after Morgan Stanley's recommendation on Tuesday to underweight Switzerland in favour of Germany. The SMI index fell 46.7 to 3,314.8.

Clariant picked up SFr3 to SFr390 as the company attributed the underperformance of its share price since it was spun off by Sandoz last June to the weakness of the dollar. The chemicals group added that it expected higher 1996 profits and sales. Sandoz fell another SFr29 to SFr1,025 , still pressured by Tuesday's downgrade by Goldman Sachs, while Roche certificates lost SFr135 to SFr1,280.

Swiss Re gave up another SFr25 to SFr1,280 on an increasingly downbeat view on this year's prospects, after the insurer's strong performance in 1995.

MILAN was weak as the day's political manoeuvrings continued to generate much heat, but little light on the government's way ahead. The Comit index fell 6.14 to 587.42, while the real-time Mibtel index was 83 weaker at 9,362.

Sme, the food group, jumped L87 or 2.6 per cent to L3,484 on news that it had asked for a quotation on the bourse for its motorway restaurant chain.

Ferruzzi picked up L31 to L1,037 on the last day of trading in its rights.

Eni turned L63 weaker at L5,611 on profit-taking after its firm performance early in the week when the energy group attracted a number of brokers' recommendations.

ISTANBUL surged by more than 6 per cent as buying was supported by strong expectations that a conservative coalition government would be established.

The composite index added 2,496.97 at 42,497.90 as turnover doubled to TL10,390bn from Tuesday's TL5,170bn.

Brokers commented that lower rates in a Treasury bill auction helped to divert cash to the equity market.

**FT-SE Actuaries Share Indices**

| Jan 10 | | | | | | | | THE EUROPEAN SERIES |
|---|---|---|---|---|---|---|---|---|
| Hourly changes | Open | 10.30 | 11.00 | 12.00 | 13.00 | 14.00 | 15.00 | Close |
| FT-SE Eurotrack 100 | 1517.81 | 1515.46 | 1515.79 | 1511.80 | 1510.60 | 1509.95 | 1511.20 | 1510.99 |
| FT-SE Eurotrack 200 | 1597.94 | 1599.00 | 1594.08 | 1591.43 | 1590.32 | 1591.21 | 1591.86 | 1592.67 |

| | Jan 9 | Jan 8 | Jan 5 | Jan 4 | Jan 3 |
|---|---|---|---|---|---|
| FT-SE Eurotrack 100 | 1527.11 | 1522.41 | 1519.00 | 1535.57 | 1534.27 |
| FT-SE Eurotrack 200 | 1610.51 | 1615.67 | 1614.98 | 1631.71 | 1630.09 |

Base 1000 (26/10/90). High/day: 100 - 1518.30 200 - 1599.05 Low/day: 100 - 1509.18 200 - 1589.68 † Partial

Written and edited by William Cochrane, Michael Morgan and John Pitt

# Latin America keeps eye on US

Mexican share prices recouped early losses and posted healthy mid-morning gains. The IPC index was up 16.44 at 2,973.90 in volume of 41m shares.

Equities were dragged down at the opening by the fall in the US markets, but bounced back later on optimism following a large reduction in domestic interest rates.

Although the peso opened weaker against the dollar following the rate fall, dealers said that it looked as if the currency was now fundamentally stable.

SAO PAULO was in a gloomy mood and followed the later movements on Wall Street. By early afternoon the Bovespa index was off 477.28 or 1 per cent at 46,062.

Analysts said that concerns over the slow pace of the voting process in key constitutional reforms in congress also contributed to some downward pressure on the market.

**EMERGING MARKETS: IFC WEEKLY INVESTABLE PRICE INDICES**

| Market | No. of stocks | Dollar terms: Jan. 5 1995 | Dollar terms: % Change over week | Dollar terms: % Change on Dec '94 | Local currency terms: Jan. 5 1995 | Local currency terms: % Change over week | Local currency terms: % Change on Dec '94 |
|---|---|---|---|---|---|---|---|
| Latin America | (248) | 488.77 | +5.7 | -14.0 | | | |
| Argentina | (31) | 865.36 | +8.0 | +17.8 | 530,774.67 | +8.0 | +17.8 |
| Brazil | (68) | 326.76 | +7.0 | -15.0 | 1,188.49 | +7.0 | -2.4 |
| Chile | (43) | 758.99 | +1.4 | -3.2 | 1,235.62 | +1.3 | -2.0 |
| Colombia[1] | (15) | 608.96 | +1.8 | -25.0 | 1,076.85 | +2.6 | -9.9 |
| Mexico | (65) | 499.70 | +10.3 | -17.8 | 1,631.14 | +8.3 | +26.3 |
| Peru[2] | (21) | 208.36 | +5.6 | +16.8 | 298.06 | +7.3 | +25.3 |
| Venezuela[3] | (5) | 326.83 | -2.3 | -34.0 | 2,648.56 | +1.5 | +37.0 |
| Asia | (631) | 238.26 | +2.6 | -4.5 | | | |
| China[4] | (23) | 60.23 | +11.3 | -20.6 | 63.30 | +11.4 | -21.8 |
| South Korea[5] | (145) | 120.10 | -4.6 | -12.2 | 124.43 | -3.1 | -12.2 |
| Philippines | (35) | 271.71 | +4.7 | -8.9 | 344.16 | +4.6 | -2.1 |
| Taiwan, China[6] | (63) | 104.80 | -7.1 | -36.3 | 107.51 | -6.9 | -33.7 |
| India[7] | (76) | 78.34 | -2.5 | -36.6 | 98.55 | -1.8 | -28.4 |
| Indonesia[8] | (44) | 114.61 | +4.5 | +14.9 | 142.49 | +4.6 | +19.7 |
| Malaysia | (123) | 285.15 | +5.2 | +6.1 | 268.58 | +5.7 | +6.0 |
| Pakistan[9] | (25) | 237.29 | -2.2 | -35.2 | 368.70 | -2.2 | -27.9 |
| Sri Lanka[10] | (5) | 103.27 | -0.8 | -40.0 | 120.56 | -0.3 | -35.0 |
| Thailand | (72) | 403.55 | +7.4 | +5.2 | 404.41 | +7.6 | +5.8 |
| Euro/Mid East | (233) | 146.36 | +3.3 | +23.5 | | | |
| Greece | (47) | 239.93 | -0.7 | +6.3 | 383.79 | -0.8 | +4.4 |
| Hungary[11] | (8) | 117.57 | +19.5 | -22.5 | 193.06 | +19.3 | -6.5 |
| Jordan | (8) | 181.71 | -1.6 | +21.1 | 271.19 | -1.6 | +22.0 |
| Poland[12] | (22) | 454.14 | +6.5 | -3.2 | 708.88 | +7.1 | -1.6 |
| Portugal | (26) | 118.31 | +2.2 | -2.3 | 121.64 | +2.3 | -8.2 |
| South Africa[13] | (63) | 272.92 | +5.8 | +21.4 | 204.51 | +5.3 | +6.1 |
| Turkey[14] | (54) | 111.41 | +6.6 | -6.5 | 3,100.93 | +3.7 | +40.1 |
| Zimbabwe[15] | (5) | 274.90 | +0.1 | +12.4 | 376.79 | -0.1 | +25.0 |
| Composite | (1117) | 285.67 | +3.6 | -7.1 | | | |

*Indices are calculated at end-week, and weekly changes are percentage movement from the previous Friday. Base date: Dec 1988=100 except those noted which are (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 6 1992; (8)Sep 28 1990; (9)Mar 1 1991; (10)Dec 31 1992; (11)Dec 31 1992; (12)Dec 31 1992; (13)Dec 31 1992; (14)Aug 2 1993; (15)July 2 1993.*

**Whether or not the rally during the past week among the eastern European equity markets has been little more than a portfolio readjustment at the start of the new year remains to be seen, writes John Pitt. But it is also possible that the upward trend in many of the markets, combined with a rise in turnover, could be a a real sign that fund managers are now looking closely at the opportunities to be had in the region.**

**Some evidence that this has been happening already comes from Micropal, which collates data on fund flows to emerging markets. The company says that during the third quarter of 1995 some $100m flowed into eastern European equities. Mr Ian Wilson, who edits Micropal's Emerging Market Fund Monitor, says that this "is up sharply from the near zero level of net buying that took place in the second quarter". In a survey of 15 eastern European regional equity funds the Czech Republic was the most popular destination, with managers buying some $30m of domestic stock.**

**Mr James Oates at UBS in London, writing in a regional quarterly analysis, said that 1996 could be "a bumper year for central and eastern Europe". He writes that substantial progress has been made in privatisation programmes and corporate restructuring, while "large-scale investment is under way, and highly skilled labour forces are making improvements in operational efficiency".**

**At Daiwa Europe, Mr Roger Monson, chief equity strategist, is another bull of the region. He maintains that the wild enthusiasm seen in 1993 will not be repeated: "The *naïveté* of post-Berlin Wall euphoria is gone – investors will be applying traditional valuation and risk analysis."**

ASIA PACIFIC

# Wall Street, new issues weigh upon region

## Tokyo

The setback on Wall Street on Tuesday, led by a sharp fall in high-technology stocks, depressed investors; the Nikkei average eased on profit-taking in spite of buying by overseas and individual investors, *writes Emiko Terazono in Tokyo.*

The 225 index closed 39.76 down at 20,612.32 after moving between 20,459.34 and 20,675.70. The decline in the dollar below Y105, due to prolonged haggling over the US budget, also weighed on sentiment.

Volume came to 674m shares, against 555m. The Topix index of all first section stocks receded 5.38 to 1,617.45 and the Nikkei 300 lost 1.38 to 303.37. Declines led advances by 565 to 507.

In London the ISE/Nikkei 50 index shed 5.49 to 1,422.02.

Individual and broker buying was aimed at speculative favourites. Nissho Iwai, a trading company, was the most active issue of the day, rising Y38 to Y581. There were reports of a strong performance from the company's communications joint venture with Fujitsu, but Fujitsu fell Y30 to Y1,180.

Nissho was followed by other speculative issues, including Kitagawa Iron Works, which rose Y19 to Y949, and Keisei Electric Railway, which lost Y15 to Y978 on profit-taking following its rise on Tuesday.

High-technology stocks lost ground, echoing New York. Sony dropped Y130 to Y6,680, Kyocera Y220 to Y7,570 and Toshiba Y12 to Y848.

Oil companies, which gained ground on higher crude oil prices earlier in the week, were generally easier. Mitsubishi Oil, however, rose Y3 to Y943 on reports that it had struck oil at its well off the southern coast of Vietnam.

Banks were lower on rising public criticism over the government's solution for the bad loans at the country's ailing housing loan companies. Sakura Bank shed Y20 to Y1,250.

In Osaka, the OSE average rose 25.36 to 22,158.88 in volume of 78m shares. Murata Mfg, an electronic parts maker, fell Y140 to Y3,740. Foreigners and individuals sold the stock due to the yen's appreciation.

## Roundup

Wall Street and a major share placing from Sun Hung Kai Properties weakened HONG KONG, where the Hang Seng index fell 122.57 or 1.2 per cent to 10,304.63. Turnover including the HK$3.97bn SHKP placing was HK$9.32bn, compared with Tuesday's HK$4.97bn.

SHKP ended HK$2.25 cheaper at HK$62.50, off a low of HK$61.75 and against the placing price of HK$61.125. Investors were discouraged by reports that other leading companies were planning cash calls. SHKP was the third group to tap the market since the start of December 1995.

TAIPEI remained uneasy about the impact of proposed new capital gains taxes on the investment climate. The weighted index dipped 49.64 or 1 per cent to 4,862.35. Turnover was T$28bn.

The high-technology sector declined 2.7 per cent after Wall Street, United Microelectronics losing T$2 or 3.2 per cent at T$60.50.

SHENZHEN As declined on worries about the number of share offers. The index slid 2.14 to 113.59 as turnover fell from Yn141m to Yn87m.

There were reports that Wuhan Twin Tiger Coating was about to offer 18m class A shares at Yn4 per share next Monday. The heaviest fallers included Changfeng Baoan Industry, the household electric appliance maker, off 3.3 per cent to Yn2.37, and Changcheng Special Steel, down 3.2 per cent at Yn2.37.

SHANGHAI Bs went in the opposite direction, gaining 0.13 to 51.44 in volume of 5.3m shares worth HK$2.1m. One of the favourites was Shanghai Vacuum and Electron Device, which made 6.7 per cent to 25 cents on institutional support. In contrast the A index lost 2 per cent to 565.13.

SYDNEY was led down by weakness in the price of base metals. The All Ordinaries index dipped 24.6 to 2,238.2, while the golds index slid 32.80 to 2,024.90. Turnover was A$533.74m.

Western Mining fell 33 cents to A$8.47 after analysts downgraded the company's year to June profits forecast.

MANILA followed a PLDT fall in New York and closed lower for the fifth consecutive session, the composite index losing 23.28 at 2,658.48 as PLDT dropped 20 pesos to 1,500.

**FT/S&P ACTUARIES WORLD INDICES**

The FT/S&P Actuaries World Indices are owned by The Financial Times Ltd., Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by The Financial Times and Goldman Sachs in conjunction with the Institute of Actuaries and the Faculty of Actuaries. NatWest Securities Ltd. was a co-founder of the Indices.

| NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock | TUESDAY JANUARY 9 1996: US Dollar Index | Day's Change % | Pound Sterling Index | Yen Index | DM Index | Local Currency Index | Local % chg on day | Gross Div. Yield | MONDAY JANUARY 8 1996: US Dollar Index | Pound Sterling Index | Yen Index | DM Index | Local Currency Index | DOLLAR INDEX: 52 week High | 52 week Low | Year ago (approx) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Australia (81) | 194.65 | -0.9 | 186.71 | 129.44 | 146.05 | 173.78 | -0.6 | 3.85 | 196.40 | 187.86 | 130.70 | 147.06 | 174.87 | 196.40 | 157.95 | 164.80 |
| Austria (26) | 184.73 | 0.9 | 177.20 | 122.84 | 138.60 | 138.48 | 1.1 | 1.51 | 183.08 | 175.13 | 121.84 | 137.09 | 136.97 | 199.28 | 167.46 | 179.40 |
| Belgium (34) | 215.22 | 0.4 | 206.45 | 143.12 | 161.48 | 157.53 | 0.7 | 3.32 | 214.40 | 205.09 | 142.68 | 160.54 | 156.51 | 215.22 | 166.86 | 167.13 |
| Brazil (28) | 148.35 | -1.6 | 142.30 | 98.65 | 111.31 | 265.45 | -1.6 | 1.66 | 150.73 | 144.18 | 100.31 | 112.87 | 269.71 | 160.23 | 86.06 | 138.51 |
| Canada (101) | 151.64 | -1.0 | 145.45 | 100.83 | 113.77 | 149.52 | -1.0 | 2.49 | 153.19 | 146.54 | 101.95 | 114.71 | 150.96 | 153.19 | 121.81 | 127.80 |
| Denmark (33) | 294.88 | 0.2 | 282.86 | 196.08 | 221.25 | 223.78 | 0.4 | 1.46 | 294.24 | 281.45 | 195.81 | 220.32 | 222.83 | 295.99 | 246.19 | 253.34 |
| Finland (24) | 178.26 | -1.2 | 170.99 | 118.54 | 133.75 | 163.28 | -1.2 | 1.95 | 180.45 | 172.61 | 120.08 | 135.12 | 165.23 | 276.11 | 171.13 | 192.50 |
| France (99) | 182.44 | -0.1 | 175.00 | 121.32 | 136.88 | 141.53 | 0.1 | 3.08 | 182.57 | 174.64 | 121.50 | 136.70 | 141.32 | 191.17 | 157.79 | 161.24 |
| Germany (60) | 168.37 | 0.7 | 161.50 | 111.96 | 126.33 | 126.33 | 0.9 | 1.89 | 167.13 | 159.87 | 111.23 | 125.15 | 125.15 | 168.37 | 139.76 | 139.76 |
| Hong Kong (58) | 403.35 | -0.5 | 386.91 | 268.22 | 302.64 | 400.45 | -0.5 | 3.58 | 405.46 | 387.86 | 269.84 | 303.62 | 402.56 | 408.53 | 277.40 | 297.67 |
| Ireland (16) | 261.80 | -0.3 | 251.12 | 174.09 | 196.43 | 231.29 | -0.1 | 3.32 | 262.70 | 251.28 | 174.82 | 196.70 | 231.49 | 262.70 | 204.97 | 209.11 |
| Italy (59) | 74.09 | 0.1 | 71.06 | 49.27 | 55.59 | 87.13 | 0.0 | 1.69 | 74.02 | 70.80 | 49.26 | 55.42 | 87.15 | 82.71 | 65.45 | 73.94 |
| Japan (482) | 156.13 | 0.0 | 149.76 | 103.82 | 117.14 | 103.82 | -0.1 | 0.74 | 156.13 | 149.34 | 103.90 | 116.91 | 103.90 | 164.82 | 136.95 | 152.26 |
| Malaysia (108) | 515.77 | -0.1 | 494.74 | 342.98 | 386.98 | 508.22 | -0.1 | 1.63 | 516.23 | 493.81 | 343.55 | 386.55 | 508.58 | 581.96 | 399.16 | 454.51 |
| Mexico (18) | 1149.72 | -1.1 | 1102.85 | 764.54 | 862.64 | 9409.00 | -1.9 | 1.48 | 1162.31 | 1111.82 | 773.50 | 870.33 | 9588.27 | 1247.33 | 847.81 | 1221.90 |
| Netherland (19) | 278.81 | -0.6 | 267.44 | 185.40 | 209.19 | 205.68 | -0.4 | 3.17 | 280.49 | 268.30 | 186.66 | 210.03 | 206.45 | 280.49 | 215.34 | 215.34 |
| New Zealand (14) | 80.91 | -0.8 | 77.61 | 53.80 | 60.71 | 65.25 | -0.8 | 4.45 | 81.61 | 78.06 | 54.31 | 61.11 | 65.75 | 85.48 | 70.18 | 70.18 |
| Norway (33) | 238.91 | -0.6 | 229.17 | 158.87 | 179.26 | 205.94 | -0.6 | 2.03 | 240.29 | 229.85 | 159.91 | 179.93 | 207.15 | 243.79 | 202.76 | 207.47 |
| Singapore (44) | 421.15 | -0.9 | 403.98 | 280.06 | 315.99 | 276.37 | -1.0 | 1.46 | 425.10 | 406.64 | 282.90 | 318.31 | 279.26 | 426.22 | 313.94 | 364.80 |
| South Africa (45) | 415.73 | 0.4 | 398.78 | 276.45 | 311.92 | 329.55 | 0.2 | 3.59 | 414.13 | 396.14 | 275.60 | 310.10 | 328.92 | 415.73 | 281.06 | 325.67 |
| Spain (38) | 167.95 | -0.5 | 161.10 | 111.68 | 126.01 | 154.39 | -0.2 | 3.96 | 168.70 | 161.37 | 112.27 | 126.32 | 154.69 | 168.91 | 124.10 | 126.51 |
| Sweden (47) | 315.74 | -0.4 | 302.87 | 209.96 | 236.90 | 308.90 | -0.6 | 1.94 | 317.10 | 303.33 | 211.03 | 237.44 | 310.81 | 324.31 | 232.23 | 235.43 |
| Switzerland (40) | 237.12 | -0.6 | 227.45 | 157.68 | 177.91 | 171.61 | -0.3 | 1.55 | 238.64 | 228.27 | 158.81 | 178.69 | 172.09 | 239.56 | 162.35 | 164.82 |
| Thailand (46) | 178.75 | -1.6 | 171.46 | 118.86 | 134.11 | 175.24 | -1.6 | 2.33 | 181.71 | 173.81 | 120.92 | 136.06 | 178.14 | 184.55 | 130.15 | 154.73 |
| United Kingdom (206) | 230.38 | -0.8 | 220.97 | 153.19 | 172.84 | 220.97 | -0.5 | 4.20 | 232.23 | 222.14 | 154.54 | 173.89 | 222.14 | 232.23 | 181.53 | 192.98 |
| USA (634) | 247.78 | -1.5 | 237.68 | 164.77 | 185.91 | 247.78 | -1.5 | 2.26 | 251.57 | 240.64 | 167.42 | 188.37 | 251.57 | 253.50 | 188.59 | 188.59 |
| Americas (781) | 226.47 | -1.5 | 217.24 | 150.60 | 169.92 | 190.30 | -1.5 | 2.28 | 229.89 | 219.90 | 152.99 | 172.14 | 193.18 | 231.18 | 173.84 | 174.11 |
| Europe (734) | 202.99 | -0.3 | 194.72 | 134.99 | 152.31 | 172.78 | -0.1 | 3.04 | 203.69 | 194.85 | 135.56 | 152.52 | 173.00 | 204.32 | 167.08 | 167.08 |
| Nordic (137) | 277.97 | -0.4 | 266.63 | 184.84 | 208.56 | 235.75 | -0.5 | 1.67 | 279.16 | 267.04 | 185.78 | 209.04 | 236.93 | 285.02 | 222.22 | 228.09 |
| Pacific Basin (834) | 167.45 | -0.1 | 160.62 | 111.35 | 125.64 | 114.72 | -0.2 | 1.16 | 167.64 | 160.36 | 111.56 | 125.53 | 114.91 | 171.87 | 145.93 | 158.81 |
| Euro-Pacific (1568) | 182.15 | -0.2 | 174.72 | 121.13 | 136.67 | 136.82 | -0.1 | 2.03 | 182.58 | 174.63 | 121.49 | 136.70 | 137.02 | 183.39 | 154.73 | 162.16 |
| North America (735) | 241.80 | -1.5 | 231.94 | 160.79 | 181.42 | 241.14 | -1.5 | 2.29 | 245.48 | 234.80 | 163.35 | 183.80 | 244.78 | 246.93 | 184.81 | 184.81 |
| Europe Ex. UK (528) | 183.51 | -0.1 | 176.02 | 122.03 | 137.68 | 146.03 | 0.1 | 2.39 | 183.66 | 175.69 | 122.23 | 137.53 | 145.88 | 184.61 | 149.53 | 149.53 |
| Pacific Ex. Japan (352) | 275.04 | -0.6 | 263.83 | 182.90 | 206.36 | 242.76 | -0.6 | 3.04 | 276.80 | 264.78 | 184.21 | 207.27 | 244.15 | 276.80 | 211.19 | 225.46 |
| World Ex. US (1760) | 183.53 | -0.2 | 176.05 | 122.05 | 137.70 | 140.85 | -0.2 | 2.07 | 183.98 | 175.99 | 122.44 | 137.76 | 141.10 | 184.71 | 155.42 | 162.98 |
| World Ex. UK (2188) | 200.19 | -0.8 | 192.03 | 133.12 | 150.20 | 166.81 | -0.8 | 1.95 | 201.72 | 192.96 | 134.24 | 151.05 | 168.07 | 202.03 | 163.46 | 169.22 |
| World Ex. Japan (1912) | 229.36 | -1.0 | 220.01 | 152.52 | 172.09 | 214.81 | -0.9 | 2.61 | 231.70 | 221.63 | 154.19 | 173.49 | 216.83 | 232.30 | 181.60 | 181.95 |
| The World Index (2394) | 202.85 | -0.8 | 194.58 | 134.99 | 152.20 | 171.65 | -0.7 | 2.16 | 204.41 | 195.53 | 136.03 | 153.06 | 172.91 | 204.65 | 165.92 | 170.40 |



Latest prices were unavailable for this edition